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Agenda item 115
Financial reports and audited financial statements, and reports of the Board of Auditors

First report on the implementation of the recommendations of the Board of Auditors on the accounts of the United Nations for the biennium ended 31 December 1999

Report of the Secretary-General*

I. Introduction

1. In paragraph 7 of its resolution 45/216 B of 23 December 1993, the General Assembly requested the Secretary-General and the executive heads of the United Nations organizations and programmes to report to it, at the same time as the recommendations of the Board of Auditors were submitted to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions, on measures taken or to be taken in response to those recommendations.

2. The present report has been prepared accordingly, on the assumption that the recommendations made by the Board of Auditors in its report on the biennium ended 31 December 1999[1] would be approved by the General Assembly at its current session. Information is provided on measures taken or to be taken to implement the recommendations of the Board of Auditors, including a timetable, where appropriate.

3. In preparing the present report, account was also taken of the provisions of General Assembly resolutions 49/216 A of 23 December 1994, in particular paragraphs 9 and 10, 49/216 B, paragraphs 3 and 4, 49/216 C, paragraph 3, 50/204 A of 23 December 1995, paragraph 4, 51/225 of 3 April 1997, section A, paragraph 10, and 52/212 B of 31 March 1998, paragraphs 3 to 5.

II. Implementation of recommendations contained in paragraph 12 of the report of the Board of Auditors

4. In paragraph 12 (a) of the report of the Board of Auditors on the accounts of the United Nations for the biennium ended 31 December 1999, the Board recommended that clear guidelines be established to determine the circumstances under which advances may be made by the Office for the Coordination of Humanitarian Affairs from the unearmarked Disaster Relief Assistance Fund, the eligibility of recipients, the maximum level of advances and the period of repayment. The Board also recommended that action be taken to recover long-outstanding advances.

* The footnote requested by the General Assembly in its resolution 54/248 was not included in the present submission.

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5. The Board's recommendations are noted. The Office has established a financial task force comprising senior managers from Geneva and New York, which will be responsible for monitoring on a regular basis the status of the unearmarked account, reviewing requests for unearmarked funds and making recommendations on the allocation of such funds on the basis of established criteria. In this context, the task force will also undertake a review of all outstanding advances made from the Disaster Relief Trust Fund with a view to recommending appropriate action. The Under-Secretary-General for Humanitarian Affairs is responsible for implementation of this recommendation.

6. In paragraph 12 (b), the Board recommended that efforts be strengthened to collect accounts receivable, particularly the amount of $25 million outstanding beyond one year.

7. The Administration has continued its efforts to review the balances of receivables and has taken measures to send billing statements and reminder letters on a more timely basis. The Assistant Secretary-General for Programme Planning, Budget and Accounts is responsible for implementation of the recommendation.

8. In paragraph 12 (c), the Board recommended that a consolidated database be implemented fully to facilitate the preparation of consolidated financial statements and to reduce the reliance on ad hoc reports, and that the Office of Programme Planning, Budget and Accounts ensure that all adjustments made in the preparation of the financial statements are approved and supported by an adequate audit trail.

9. The Administration would like to reiterate that the preparation of consolidated financial statements will not be possible until all duty stations have implemented the system, which is envisaged by April 2001. Temporary measures have been taken to consolidate the June 2000 Integrated Management Information System (IMIS) data for the United Nations Office at Geneva, the United Nations Office at Vienna and the Economic and Social Commission for Western Asia into United Nations Headquarters books electronically. The Assistant Secretary-General for Central Support Services is responsible for implementation of the first part of the recommendation.

10. To ensure that adjustments made in the preparation of financial statements are approved and supported by an adequate audit trail, the Office of Programme Planning, Budget and Accounts is holding discussions with the IMIS project team with a view to providing a script that would identify the entries required to adjust the accounts receivable and payable for reporting purposes. The Assistant Secretary-General for Programme Planning, Budget and Accounts is responsible for implementation of the second part of the recommendation.

11. In paragraph 12 (d), the Board recommended that an archiving facility be developed for IMIS as a matter of priority.

12. The development of an archiving and purging mechanism is already included in the IMIS work plan and preliminary work has already been undertaken. The Assistant Secretary-General for Central Support Services is responsible for implementation of this recommendation.

13. In paragraph 12 (e), the Board recommended that all outstanding test problem reports and system enhancement requests be reviewed and a comprehensive plan of action be drawn up to resolve the underlying issues.

14. The review of test problem reports and of system enhancement requests is an ongoing process conducted by the IMIS team in consultation with the users. As indicated in the comments contained in the tenth and eleventh IMIS progress reports, it will never be possible to address all the items pending since new items are added on a continuous basis, as is the practice and the norm for software products. Items to be worked on are prioritized on the basis of the impact on the operations of the system and on the benefits to be derived by the users. This review is now conducted also with the other user organizations within the framework of the newly created common service. The Assistant Secretary-General for Central Support Services is responsible for implementation of this recommendation.

15. In paragraph 12 (f), the Board recommended improvements in the dissemination of information to relevant departments on lessons learned from decisions of the arbitral tribunal arising from deficiencies in contract formulation, review and implementation, and further recommended that procurement officers exercise close control over draft purchase orders and prepare contract amendments promptly to reflect changes in contractual arrangements.

16. The Procurement Division attended the seminar organized by the Office of Legal Affairs concerning their experience and lessons learned from arbitration cases arising from United Nations contracts in June 1998 and January 2000. The report of the Office of Internal Oversight Services on the review of procurement-related arbitration cases (A/53/843) was distributed to staff members of the Procurement Division in March 1999. The Procurement Division has strict control over contractual documents and will ensure that any requirements to amend the contracts are prepared promptly. The Assistant Secretary-General for Central Support Services is responsible for implementation of this recommendation.

17. In paragraph 12 (g), the Board recommended that the Procurement Division ensure that all new contracts in excess of $200,000 that are not identical to previous contracts be submitted to the Office of Legal Affairs for review before finalization, and that the Office make every effort to carry out an effective review of new contracts in excess of $200,000 in accordance with the provisions of the Procurement Manual.

18. The Procurement Division will immediately ensure that all new contracts that are substantially different from other models or contracts previously reviewed by the Office of Legal Affairs are submitted for clearance. It should be noted that the Procurement Manual does not require that all contracts over $200,000 be submitted to the Office of Legal Affairs for review. The Procurement Manual states, in section 14.04.01, that the review need not be sought if the contract is to extend or renew an existing contract without "major" changes of terms and conditions, or if the contract is essentially identical to another contract previously reviewed by the Office. The Assistant Secretary-General for Central Support Services and the Under-Secretary-General for Legal Affairs are responsible for implementation of this recommendation.

19. In paragraph 12 (h), the Board recommended closer coordination between the General Legal Division and the Procurement Division in contract preparation and approval. In addition, a system for monitoring the status of requests for contract preparation and subsequent action should be established by the Procurement Division.

20. The Office of Legal Affairs and the Procurement Division are seeking to improve coordination and streamline the process with respect to the preparation and conclusion of contracts with outside counsel. It is hoped that with such a streamlined process it will be possible to avoid situations that have occurred in the past in which it was necessary for outside counsel, with the concurrence of the Procurement Division, to commence work before the written contract could be formally executed by both parties in order to protect the interests of the Organization in the arbitration cases in question.

21. In connection with the cases identified in the Board's report where it was necessary for outside counsel to commence work before the written contract had been formally executed, the Office of Legal Affairs has pointed out that the term of the contract ultimately concluded with outside counsel covered the entire period of counsel's work, and that no payments for services rendered by a law firm were made until a written contract was concluded. The Under-Secretary-General for Legal Affairs and the Assistant Secretary-General for Central Support Services are responsible for implementation of the first part of this recommendation.

22. The Procurement Division has established a suitable tracking system to monitor the status of all requisitions. The Assistant Secretary-General for Central Support Services is responsible for implementation of this portion of the recommendation.

23. In paragraph 12 (i), the Board recommended that the method of setting legal fee caps be reviewed with a view to strengthening control over the level of expenditure incurred for outside legal counsel.

24. Fee caps are sometimes broken down by phase of arbitration and are always based on stated assumptions and considerations, which determine whether later cap increases are justified. Whether and how to break down such caps depends on the unique circumstances of each case and on the negotiating position of the firms bidding on these services. With that understanding, the Office of Legal Affairs will continue to seek to ensure that when caps are employed these breakdowns are in the interest of the Organization.

25. It should be pointed out that the Office of Legal Affairs has recommended increases in fee caps only when new developments occur in a case that were not covered by the assumptions or other factors on which the initial agreed cap was based and that it has always provided a detailed explanation of and justification for

such increases. In addition, the Office has never recommended a cap increase in the absence of a request from outside counsel. In each instance, the amount approved was far less than that requested by outside counsel.

26. As a contractual matter, outside counsel will not agree to a fee cap without identifying the assumptions or factors underlying that agreed cap and without the understanding that if arrangements or factors change an appropriate adjustment on the cap will be necessary. The Office of Legal Affairs carefully reviews every request for a fee cap increase to ensure that it is legally justified on the basis of changed underlying assumptions or other factors. Moreover, experience demonstrates that the Organization has substantially benefited from the use of fee caps. The Office will continue to examine vigilantly any request by outside counsel for an increase in its fee cap to ensure that increases are allowed only when they are justified.

27. Also, in connection with this recommendation, the Office of Legal Affairs advises, with regard to the statement contained in paragraph 213 of the report of the Board of Auditors, that only a small portion of the case related to claims that had been settled previously, that the bulk of the case related to events that had occurred after the settlement had been entered into and that the arbitration proceedings required outside counsel to address the claims that had been settled previously. The Under-Secretary-General for Legal Affairs is responsible for implementation of this recommendation.

28. In paragraph 12 (j), the Board recommended that the Administration ensure, through the Office of Legal Affairs, that payments made to outside counsel not be requested before contracts and amendments are properly concluded, and that the Office of Programme Planning, Budget and Accounts ensure that payments to outside counsel are made only on the basis of valid contracts that have been signed by all parties.

29. The Administration agrees that payments should be made to a contractor only on the basis of a properly concluded contract or amendment thereof. The Controller and the Under-Secretary-General for Legal Affairs are responsible for ensuring that payments are made to contractors on the basis of a properly concluded contract or amendment thereto.

30. In paragraph 12 (k), the Board recommended that the Administration clearly segregate functions in the Office of Legal Affairs to ensure the operation of sound internal checks in the selection and recommendation of appointment, the proposal of contracts and requests of payment for services rendered by outside legal counsel.

31. The role of the Office of Legal Affairs in selecting and contracting with outside counsel is part of a system of checks and balances involving the Office of Central Support Services. As had been reported to the General Assembly in the report of the Secretary-General on procurement-related arbitration (A/54/458, para. 17), the Office of Legal Affairs solicits proposals from a field of three to five law firms that it determines have the special expertise and resources needed to represent the United Nations effectively in the case. It evaluates the proposals received and prepares a detailed analysis of those proposals, which it transmits to the Procurement Division together with the Office's recommendation as to which law firm should be engaged. Should the Procurement Division agree with the recommendation of the Office of Legal Affairs it transmits the recommendation to the Headquarters Committee on Contracts when the amount at issue is over the threshold required for review. The Headquarters Committee on Contracts makes a recommendation to the Assistant Secretary-General for Central Support Services, who gives final approval for entering into the contract. Once a contract is approved by the Assistant Secretary-General, the Procurement Division signs the contract with the law firm. In line with the recommendation of the Board, the Office of Legal Affairs is working with the Procurement Division to refine and streamline the process for dealing with these matters and is implementing additional measures to achieve a further segregation of functions with regard to the selection of and contracting with outside counsel, as well as the selection of arbitrators. The Under-Secretary-General for Legal Affairs is responsible for implementation of this recommendation.

32. In paragraph 12 (l), the Board recommended that a strategy be drawn up for the management of the United Nations accommodation in Geneva, which should include formal objectives that are specific and measurable.

33. During the biennium 2000-2001, the General Services Section at the United Nations Office at Geneva will redeploy resources to finance a survey of the condition of essential building structures and

systems. The Director, Division of Administration, at Geneva is responsible for implementation of this recommendation.

34. In paragraph 12 (m), the Board recommended that a system of periodic claims audit be established at the offices of the insurance companies so that the Administration has some reassurance that the claims are correct and representative of the actual charges made for medical care.

35. The complexity of the claims-processing systems is such that the recommended claims audit can be undertaken only by outside consulting or auditing firms with specific expertise in this area. However, the definition of the scope of work or terms of reference of such a claims audit is under way, in preparation for the issuance of requests for proposals to qualified consulting or auditing firms. It is expected that a request for proposal will be issued to the market for consulting services towards the end of the year. The Assistant Secretary-General for Programme Planning, Budget and Accounts is responsible for implementation of this recommendation.

36. In paragraph 12 (n), the Board recommended that an inventory of the stock of the United Nations newsstand be conducted jointly with the newsstand contractor at the earliest opportunity.

37. This matter will be addressed before a new contract for the newsstand operation enters into force in October 2000. The Assistant Secretary-General for Central Support Services is responsible for implementation of this recommendation.

III. Implementation of recommendations contained in the body of the report

38. In paragraph 21 of its report, the Board recommended that certifying officers ensure that funds are available before approving expenditures on trust funds and that budget officers closely monitor trust funds to ensure that expenditures are within approved allotments.

39. The recommendation of the Board is accepted and the monitoring of expenditures, follow-up and coordination will be improved to strengthen budgetary control. The Assistant Secretary-General for Programme Planning, Budget and Accounts is responsible for implementation of this recommendation.

40. In paragraph 24, the Board recommended that the Office of Programme Planning, Budget and Accounts take action to review trust funds whose purposes have long been attained in order to identify and close those that are inactive and no longer required.

41. As recommended by the Board, the Administration continues to actively review the possible closure of trust funds that are inactive and no longer required. However, this process can be complex and lengthy, as it requires considerable coordination between substantive offices and donors. The Assistant Secretary-General for Programme Planning, Budget and Accounts is responsible for implementation of this recommendation.

42. In paragraph 41, the Board recommended that the United Nations Fund for International Partnerships (UNFIP) enforce the requirement for implementing partners to submit quarterly utilization reports within the required 30 days after the end of the quarter.

43. UNFIP has informed its implementing partners of the importance of the timely submission of financial reports to avoid project execution delays. A system has been established whereby reminders are sent regularly to each implementing partner indicating the type of report that is due for submission to UNFIP. Currently, UNFIP is reviewing the reporting. Discussions towards this end with the implementing partners are expected to facilitate the prompt submission of financial reports and improve the accuracy of expenditure reporting. The Executive Director, UNFIP, is responsible for implementation of this recommendation.

44. In paragraph 49, the Board recommended that UNFIP closely monitor submission of the report on the status of project accomplishments by implementing partners.

45. UNFIP is establishing a proactive monitoring system to ensure that the agreed reporting requirements are met in order to ensure planned project completion and output accountability. The Executive Director, UNFIP, is responsible for implementation of this recommendation.

46. In paragraph 53, the Board recommended that UNFIP include in project reports and documents clear information on planned and actual starting dates and project duration. The Board further recommended that

UNFIP modify the periodic financial utilization and progress reports to include an assessment of the degree to which the goals of the project have been achieved in comparison with targets.

47. Information on planned and actual starting dates and project duration is now included in all signed project documents. UNFIP is in the process of establishing a practical monitoring and evaluation framework, which includes a modification of the current financial reporting mechanism, in close cooperation with the implementing partners. The Executive Director, UNFIP, is responsible for implementation of this recommendation.

48. In paragraph 60, the Board recommended that UNFIP liaise with the Office of Programme Planning, Budget and Accounts and the United Nations Treasury to review the banking arrangements of the UNFIP specific trust fund account and the programme support account to ensure that the cash position of both funds is properly reflected.

49. The Office of Programme Planning, Budget and Accounts and UNFIP have reviewed the banking arrangements with the Treasury and are of the view that the maintenance of a single bank account is consistent with the policy of the United Nations to avoid bank account proliferation and unnecessary bank charges. The Board's concern that additional detail is necessary to separate the UNFIP trust fund (QGA) from the programme support account (QAA) will be addressed by the maintenance of separate records of the activities for each of the funds concerned while maintaining one cash account for both funds.

50. In paragraph 70, the Board recommended that the Department of General Assembly Affairs and Conference Services take action to render invoices for interpretation services provided on a reimbursable basis in respect of 18 meetings held between January and June 1999. The Board further recommended that the Department establish a mechanism for prompt billing for all services supplied on a reimbursable basis.

51. New internal procedures intended to make the recovery of costs more systematic and to reduce delays have been established in the Department. Recovery action in respect of sums outstanding from the period from January to June 1999 has been started. In the course of this process, it has now been determined that the amount that may be subject to recovery does not exceed $105,435, while the amount previously reported to the Board of Auditors was $155,135. This latter amount erroneously reflected a duplicate recording of the costs related to the third session of the Preparatory Committee for the 2000 Review Conference of the Parties to the Treaty on the Non-Proliferation of Nuclear Weapons. The amount for which recovery is being sought, when appropriate, includes $92,655 for interpretation services provided for intergovernmental meetings financed by extrabudgetary resources and meetings organized by specialized agencies. It also includes $12,780 for interpretation services provided to meetings organized by three permanent missions in New York and one regional intergovernmental organization. The Under-Secretary-General for General Assembly Affairs and Conference Services is responsible for implementation of this recommendation.

52. In paragraph 74, the Board recommended that the Administration: (a) strictly adhere to the credit limit set for each customer; and (b) regularly review customers' accounts receivable and take steps to recover long-outstanding balances.

53. The Department of Public Information, in coordination with the Revenue Accounts Unit of the Office of Programme Planning, Budget and Accounts, will institute a semi-annual review of accounts. As part of the review, credit limits will be assessed in line with the recommendation. Efforts will continue to improve the situation of overdue accounts. The Administration would like to point out that the situation has improved in the past two years. The Under-Secretary-General for Communications and Public Information is responsible for implementation of this recommendation.

54. In paragraph 108, the Board recommended that the Office of Programme Planning Budget and Accounts, in conjunction with the IMIS project team, promptly address the problem of the high rate of rejection of inter-office vouchers to reduce or eliminate the manual encoding into IMIS of inter-office transactions from offices away from Headquarters and to obtain the optimum benefit of automation.

55. The failure of the inter-office voucher "bridge" to process the required liquidation of obligations has been brought to the attention of the IMIS project team. However, most of the failures are due to data problems, such as the non-compliance by users at offices away from Headquarters with instructions provided by the

Office of Programme Planning, Budget and Accounts. With the introduction of automated processing of inter-office vouchers in IMIS, inter-office voucher liquidations will be automated between offices using IMIS. A new enhancement, the journal voucher import facility, which electronically inputs the rejected items, was made available in July 2000. The Assistant Secretaries-General for Programme Planning, Budget and Accounts and for Central Support Services are responsible for implementation of this recommendation.

56. In paragraph 111, the Board recommended that the IMIS project team take action to improve the design of interim reporting on unpaid assessed contributions during the second year of the biennium.

57. An analysis of the improvement of the design of interim reporting on unpaid assessed contributions during the second year of the biennium has been conducted. The recommendation requires introducing validation of input data in order to prevent users from making invalid queries during the second year of the biennium. The users of the reporting capability do not consider the change absolutely necessary, as such invalid criteria are never used. However, in order to further improve the design of the report generated from IMIS, an additional validation will be implemented in due course based on priorities and the availability of resources.

58. It should be noted that for the preparation of the unpaid assessed contribution schedule included in the financial statements, correct input parameters were used, and the resulting ending balance accurately reflected the status of unpaid assessed contributions for the United Nations General Fund as at 31 December 1999.

59. In paragraph 202, the Board recommended that the Office of Legal Affairs issue guidelines detailing the procedures for the selection of arbitrators and outside counsel to be included in the shortlist of potential candidates in order to enhance competitiveness and make the selection process more transparent.

60. The Office of Legal Affairs utilizes a standard process and criteria for shortlisting prospective arbitrators and outside counsel, which had previously been explained to the Advisory Committee on Administrative and Budgetary Questions and have been reported to the General Assembly in the report of the Secretary-General on procurement-related arbitration (A/54/458, sect. V). The "pools" from which the Office of Legal Affairs identifies prospective arbitrators and outside counsel are drawn from several sources, including published listings of arbitrators and law firms, which number in the many thousands, lists maintained by arbitral tribunals, consultations with experts in international commercial arbitration and with staff or former staff of international arbitral institutions and the like. From these extensive pools, the Office shortlists prospective arbitrators and outside counsel for particular cases. According to its records, approximately 37 individual prospective arbitrators and 28 law firms have been shortlisted. However, in response to this recommendation, the Office is developing formal guidelines on this matter. The Under-Secretary-General for Legal Affairs is responsible for implementation of this recommendation.

61. In paragraph 227, the Board recommended that the Office of Legal Affairs provide to the Advisory Committee on Administrative and Budgetary Questions, during its review of resource requirements, a consolidated summary setting out information on arbitration and other claims cases, such as the nature of the case and the amounts claimed.

62. The Office of Legal Affairs replied that, as requested, it has regularly reported on arbitration cases to the Advisory Committee on Administrative and Budgetary Questions. In consultation with the Board of Auditors, the Office has developed formats for consolidated summaries of arbitration and claims cases. The Office will continue to report to the Advisory Committee, using these formats or such other formats as the Committee may request, either upon request or at specified intervals.

63. In paragraph 234, the Board recommended that the United Nations Office at Nairobi: (a) take action to implement the policy on staggered invoicing whereby 90 per cent of the amount due is invoiced before the conclusion of the meeting and only the balance of 10 per cent is invoiced after the meeting; and (b) review its basis for invoicing actual costs and bill the client immediately after the conference.

64. In the course of the biennium 1998-1999, the procedure for charge-back of conference servicing costs provided for invoicing of total costs related to a meeting after the conclusion of the meeting. This

system was reviewed in the fourth quarter of 1999, and it was concluded that its continued application created a number of problems, most importantly with respect to the cash flow. As a result, a new procedure was developed and promulgated in November 1999. The new procedure has been fully implemented as from 2000. The Chief, Division of Administrative Services, United Nations Office at Nairobi, will continue to monitor implementation of the new procedure.

65. In paragraph 245, the Board recommended that the Audit and Management Consulting Division of the Office of Internal Oversight Services ensure that working papers have been completed and reviewed in accordance with applicable standards, including indexing and cross-referencing.

66. The Division agrees with the recommendation, and management has installed additional controls, including the completion and review of a more detailed checklist, to ensure the proper preparation, organization and other required handling of audit working papers. The Information Technology Task Force established by OIOS to review its information technology requirements and formulate a plan for implementing appropriate solutions will address the Division's requirements for automating working paper preparation. The Under-Secretary-General for Internal Oversight Services is responsible for implementation of this recommendation.

67. In paragraph 249, the Board recommended that the Audit and Management Consulting Division ensure that the process of internal control evaluation is documented in accordance with the provisions of the Audit Manual.

68. The Division agrees with the recommendation and has put new procedures in place for planning and executing audit assignments. These new procedures became fully operational at the end of 1999. The Under-Secretary-General for Internal Oversight Services is responsible for implementation of this recommendation.

69. In paragraph 253, the Board recommended that the Audit and Management Consulting Division improve the timeliness of issuing audit reports.

70. The Division agrees with the recommendation, and it is being implemented on an ongoing basis. The new controls and procedures established for the planning and execution of audit assignments provide for specific checks aimed at the speedier preparation and issuance of audit reports.

71. In paragraph 271, the Board recommended that the Department of Political Affairs and the Department of Public Information comply with established procedures in the preparation of programme performance reports.

72. The understanding agreed upon by the Department of Political Affairs and the Office of Internal Oversight Services on how to present recurrent meetings or publications in the programme performance report is that a single entry is made per output per year in the report's main tables, irrespective of the number of times the meeting is held on the same subject or the publication is issued under the same title. The Board's counting of implemented activities seems to require the repetition of each individual output in that report, which served as the basis for its findings. While the Department took note of the Board's recommendation and reaffirmed its intent to comply with established procedures for the preparation of subsequent reports, it also suggested that the Board of Auditors discuss in greater detail with the substantive departments and the Office of Internal Oversight Services how the instructions for the preparation of the programme performance report should be interpreted, especially when referring to identification of recurrent outputs. The Under-Secretary-General for Political Affairs is responsible for implementation of this recommendation.

73. The Department of Public Information agrees that programme performance reporting should be as accurate as possible, with adequate explanations provided in cases of termination and reformulation. The Department has reviewed the terminations and reformulations reported for the biennium 1998-1999 and would like to express its intent to ensure more accuracy in future programme performance reports.

74. The inventory for the biennium 2000-2001 is being drafted to allow for more accurate reporting. The Department attaches great priority to ensuring that all outputs and activities in the proposed 2002-2003 programme budget, under consideration now, are accurate and quantifiable, thus providing a sound foundation for the preparation of the 2002-2003 programme performance report.

75. Action will be taken to ensure that work-months are duly reflected for all activities. This entails, in

particular, an adaptation of the Integrated Monitoring and Documentation Information System (IMDIS) to enable all United Nations information centres, information services and offices to report their work-months directly on the IMDIS system. At present, only the United Nations information services at Geneva and Vienna have the capacity to report their respective programme performance (and work-months) directly into IMDIS. The Department of Public Information is exploring, with the Central Monitoring and Inspection Unit of the Office of Internal Oversight Services and the Department of Economic and Social Affairs, ways of allowing other United Nations information centres, information services and offices to report directly into IMDIS. The Under-Secretary-General for Communications and Public Information is responsible for implementation of this recommendation.

76. In paragraph 276, the Board recommended that the Administration issue instructions to all departments to input planned work-months into IMDIS to enable management to monitor performance against planned work schedules.

77. In the past biennium, estimates of work-months at the level of each activity and output have proven to be imprecise, owing to frequent changes in mandates and organizational structures, and, therefore, of little value. The process is also extremely time- and labour-intensive. Currently, IMDIS and the performance appraisal system are being applied to assess individual performance in respect of the quality and timeliness of programme delivery. The Administration will keep this recommendation under review. The Under-Secretary-General for Internal Oversight Services is responsible for implementation of this recommendation.

78. In paragraph 285, the Board recommended that the Economic and Social Commission for Asia and the Pacific establish norms for rental accommodation as envisaged in the scheme of rental subsidy. The Board also recommended that certifying officers ensure that all claims for rental subsidy are supported by full and complete documentation in order to determine the reasonableness of the claims.

79. A Working Group on rental subsidies has been set up at ESCAP to discuss modalities of establishing norms for rental accommodation. In order to compile information on typical rental charges for houses and apartments in various parts of the Bangkok duty station and its suburbs, a questionnaire was developed that focused on the location and type of accommodation, dwelling size and estimated monthly rent. The questionnaire was forwarded to three reputable real estate agencies for completion, the responses were consolidated, and average rental charges for houses and apartments in different locations were formulated for review by the Working Group.

80. The Working Group is required to complete its review of the data and forward recommendations on maximum rental levels to the Inter-Agency Cost of Living Committee in Bangkok for consideration and endorsement, as it may have a direct impact on the post adjustment multiplier. The Working Group is expected to convene its next meeting on the subject in September/October 2000, and will make every effort to expedite action on this important issue. In the meantime, certifying officers are requested to ensure that all claims for rental subsidy are supported by full and complete documentation in order to determine the reasonableness of the claims. The Chief, Division of Administration, ESCAP, is responsible for implementation of this recommendation.

81. In paragraph 289, the Board recommended that ESCAP request the lessees to adhere to their obligation to pay rent promptly to ESCAP in accordance with the lease agreement, and that ESCAP in future consider including a penalty clause in the lease agreement/contract for delays or for non-payment of rent.

82. A monitoring system has been instituted to ensure that there is no delay in following up on receipts at ESCAP. Inclusion of a penalty clause in the lease agreement/contract for delays or for non-payment of rent will be considered when a new lease is negotiated. The Chief, Division of Administration, ESCAP, is responsible for implementation of this recommendation.

83. In paragraph 295, the Board recommended that the Human Resources Management Service at the United Nations Office at Geneva encourage departments to facilitate staff continuity and recruitment by promptly notifying it of their recruitment plans.

84. Efforts to reduce the time gap between staff members separating from service upon reaching the mandatory age of retirement and having a replacement ready to report for duty following his or her selection through the appointment and promotion process will continue to be given high priority by the Human

Resources Management Service. The Service has, on the one hand, actively continued to project vacancies, ensuring timely follow-up action with departments and services. On the other hand, the Service is taking the necessary measures to reduce the time required for processing.

85. Although it relates to recruitment activity after the time period covered by the report, the United Nations Office at Geneva would like to note the small measure of success achieved in the first half of this year, which is most noticeable in the area where the Office has full delegation of authority, namely, in the filling of General Service vacancies. More specifically, the action of the Service has resulted in five General Service recruitments and/or placements in which the candidate was able to report for duty on the day the foreseen vacancy became available. Two additional candidates were selected in the first half of the year for posts that were being vacated in July and August. For Professional staff, in two instances, the gap between a staff member's retiring and a candidate's being selected was narrowed to a month and a half to two months.

86. The United Nations Office at Geneva is also pleased to report that since 1999, the average time taken from the date of notification of a General Service vacancy to approval by the Director-General has been further reduced to 12.1 weeks (from 13.5 weeks). In the Professional category, the total average time taken for recruitment and placement has decreased significantly (to 127 days from 236 days), with a reduction in the time spent for pre-screening of applications as well as departmental review and recommendation. In these cases it should be noted that most of the vacancies were advertised and filled internally.

87. Irrespective of the improvements noted above, the most time-consuming step in the recruitment and placement process remains the departmental review of candidates and the formulation of the department's recommendation. The human resources officers are in permanent contact with the respective departments, assisting them in succession planning, the preparation of documentation, the organization of departmental panel meetings and the like to further reduce this time lag. This local initiative is being further enhanced through the recent introduction of Office of Human Resources Management action plans to build successful partnerships with departments and offices where local human resources management services have direct input into joint planning for effective and efficient human resources management. The Director, Division of Administration, United Nations Office at Geneva, is responsible for implementation of the recommendation.

88. In paragraph 298, the Board recommended that the United Nations Postal Administration ensure that memoranda of agreement or contracts are concluded with all consignment agencies to protect the interests of the Organization.

89. Data on accounts receivable for the mega-stamp system have been reconciled and adjusted upon removal from the system of all inactive agencies. The operation of all inactive agencies is covered by either contractual arrangements or letters of agreement. The Assistant Secretary-General for Central Support Services is responsible for implementation of this recommendation.

Notes

[1] *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 5* (A/55/5), vol. I, chap. II.

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Financial reports and audited financial statements, and reports of the Board of Auditors

First report on the implementation of the recommendations of the Board of Auditors on the United Nations funds and programmes for the biennium ended 31 December 1999

Report of the Secretary-General

Addendum

I. Introduction

1. In paragraph 7 of its resolution 48/216 B of 2 December 1993, the General Assembly requested the executive heads of the United Nations funds and programmes to provide the Assembly, at the same time as the recommendations of the Board of Auditors were submitted to the Assembly through the Advisory Committee on Administrative and Budgetary Questions, with their responses and to indicate measures that would be taken to implement those recommendations, with appropriate timetables.

2. The Secretary-General has the honour to transmit to the General Assembly the responses of the executive heads of the organizations and programmes, namely the International Trade Centre UNCTAD/WTO (ITC), the United Nations University (UNU), the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the United Nations Institute for Training and Research (UNITAR), the voluntary funds administered by the Office of the United Nations High Commissioner for Refugees (UNHCR), the Fund of the United Nations Environment Programme (UNEP), the United Nations Population Fund (UNFPA), the United Nations Habitat and Human Settlements Foundation, the Fund of the United Nations International Drug Control Programme (UNDCP), the United Nations Office for Project Services, the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia. Unless otherwise stated, these responses relate to the recommendations of the Board of Auditors in its report for the period ended 31 December 1999.

II. Replies from United Nations organizations and programmes

A. International Trade Centre UNCTAD/WTO

3. The action taken or to be taken to implement the recommendations of the Board of Auditors in the report on the accounts of ITC for the biennium ended 31 December 1999[1] are set out below.

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4. **In paragraph 11 (a), the Board recommended that ITC ensure that the liabilities for end-of-service benefits, post-retirement benefits and annual leave are disclosed in the financial statements for the biennium 2000-2001.**

5. ITC did not apply United Nations accounting standard 57 on the disclosure of liabilities for end-of-service benefits, post-retirement benefits and annual leave in the financial statements for the biennium 1998-1999 because of the limited amount of time available to assess the value of such liabilities. In June 2000 ITC raised this issue of defining a standard methodology for the calculation of such benefits with the Consultative Committee on Administrative Questions (Financial and Budgetary Questions). ITC will hold further discussions with the United Nations Accounts Division in that respect. ITC will reflect this requirement in the financial statements for the biennium 2000-2001.

6. The responsibility for implementing this recommendation lies with the Chief, Financial Management Section, Division of Administration.

7. **In paragraph 11 (b), the Board recommended that ITC liaise with the United Nations Controller to review the accounting treatment of amounts relating to future financial periods.**

8. ITC has been in regular consultations with the United Nations Accounts Division on the accounting treatment of deferred charges and deferred income for financial reporting, following the auditors' recommendations. ITC follows the general practices applied by the United Nations in its financial reporting. This subject is not limited to ITC and United Nations Headquarters, and should be reviewed by the Consultative Committee on Administrative Questions/Financial and Budgetary Questions. ITC was informed that the matter would be brought up for discussion at upcoming meetings of the Consultative Committee's Working Party on United Nations accounting standards during the biennium 2000-2001.

9. ITC has complied with United Nations accounting standards on this particular issue. ITC awaits instructions from United Nations Headquarters and will apply the approved/revised standard accordingly.

10. The responsibility for implementing this recommendation lies with the Chief, Financial Management Section, Division of Administration.

11. **In paragraph 11 (c), the Board recommended that ITC liase closely with the United Nations Office at Geneva to ensure that the Integrated Management Information System (IMIS) module required to address the Centre's specific reporting requirements is developed and implemented as soon as possible.**

12. The specific requirements of ITC relate to not only dual-currency accounting but also to the funds availability check in the trust fund accounts. These specifications have been clearly indicated in writing to IMIS in New York, through the United Nations Office at Geneva, in the autumn of 1999. As at 31 December 1999, ITC had complied with all the necessary preparatory work, including data conversion and migration from the old system (GAS), on the assumption that the system would be ready by the time initially scheduled. The training sessions on IMIS for ITC staff were held in 2000.

13. ITC has been in regular contact with the United Nations Office at Geneva and the IMIS team with respect to meeting the Centre's specific requirements as decided by its parent bodies. Despite a major effort on the part of the IMIS teams in New York and Geneva, with the full support and cooperation of the finance staff in Geneva, it is still not clear that the Swiss franc accounting module will serve the Centre's special needs well.

14. The responsibility for implementing this recommendation lies with the Chief, Financial Management Section, Division of Administration.

15. **In paragraph 11 (d), the Board recommended that ITC strengthen its efforts to secure donor contributions to support the full Joint Integrated Technical Assistance Programme (JITAP) and seek the approval of the Steering Group of the trust fund set up to mobilize donor support for the Programme to increase the level of funding from "window 1" (a general pool of monies that can be used for preparatory and generic activities) in order to provide more flexibility.**

16. ITC, the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO) are actively pursuing donor

support for JITAP. For example, in a recent letter from the Chairman of the Steering Group to Steering Group donors, the Deputy Secretary-General of UNCTAD stressed the urgency of translating pledges into cash contributions and of obtaining new pledges, particularly for window 1. In the final analysis, donor support will materialize to the extent that donors have confidence in the long-term efficacy of the Programme. In the view of ITC, transparency in both the shortcomings and the successes of the Programme, proactive monitoring and evaluation and the transformation of continuing feedback experience into programme improvements will result in increased donor support.

17. **In paragraph 11 (e), the Board recommended that ITC take concerted action to ensure that the Corporate Management Information System is kept up to date so that it can be used as an effective management tool.**

18. The Focus Group on the Corporate Management Information System, together with other relevant organization change teams, will make proposals for improving the use of the system before the end of 2000. Upon the endorsement of such recommendations by ITC management, detailed guidelines will be issued for data maintenance and updating by all concerned staff. Compliance with those guidelines will be monitored regularly as will the level and appropriateness of the system's use.

19. The responsibility for implementing this recommendation lies with the Chief, Programme Resources Section, Office of the Executive Director.

20. **In paragraph 31, the Board recommended that future JITAP project documents classify activities on a cluster basis within the country context.**

21. As from the year 2000, the accounts system for JITAP delivery tracking has been modified, and it does enable the reporting of expenditures by cluster. The new JITAP financial reporting system by cluster has already been tested and implemented.

22. The responsibility for implementing this recommendation lies with the Director, Division of Technical Cooperation Coordination.

23. **In paragraph 44, the Board recommended that ITC ensure that realistic timetables are agreed with national bodies for those activities to be delivered by them and that ITC monitor progress to ensure the timetables are met.**

24. Initial timetables were not met. ITC and programme partners have been working to enhance communications and understanding of programme requirements needed to establish and maintain realistic but ambitious delivery timetables.

25. The responsibility for implementing this recommendation lies with the Director, Division of Technical Cooperation Coordination.

26. **In paragraph 47, the Board recommended that ITC, in cooperation with its partner organizations, determine the most effective ways of involving national participants at an early stage in the preparation of project documents and work plans.**

27. National participants were involved quite early in the preparation and review of reports on needs resulting from initial JITAP missions. These reports became the basis for project design. Based on the experience with JITAP, however, a more extensive interaction with and involvement of national trade-related stakeholders would be envisaged in the assessment of needs and in the design and implementation planning for any programme expansion. More generally, within ITC the matter was addressed with the issuance of the "road map" for needs assessments and programme design, which was issued in March 2000.[2] A training session on the implementation of the road map will take place in September/October 2000, and compliance with the guidelines will be monitored on a regular basis.

28. The responsibility for implementing this recommendation lies with the Director, Division of Technical Cooperation Coordination.

29. **In paragraph 48, the Board recommended that ITC minimize the need for remedial measures in future and undertake more extensive country-specific risk analysis before projects begin.**

30. ITC agrees, particularly that distinctions on budgetary and institutional capacity should have been made clear initially, such as between Côte d'Ivoire and Kenya, on the one hand, and the least developed countries and Ghana, on the other. This and other risk analysis will be done for each country at the outset in any expansion of JITAP and, more generally, in all new ITC projects as foreseen in the road map. ITC appreciates the Board's noting the Centre's rapid

response and active management approach to correct the ensuing problems.

31. The responsibility for implementing this recommendation lies with the Director, Division of Technical Cooperation.

Status of implementation of the recommendations of the Board of Auditors in its report for the biennium ended 31 December 1997[3]

32. **In paragraph 10 (a), the Board recommended that ITC, in liaison with United Nations Headquarters, review the accounting treatment of deferred charges and deferred income to ensure that it is consistent with best accounting practice.**

33. ITC awaits instructions from United Nations Headquarters regarding the treatment of deferred charges and deferred income and has been advised that this subject will be brought up for discussion at upcoming meetings of the Consultative Committee on Administrative Questions Working Party on United Nations accounting standards during the biennium 2000-2001.

34. The responsibility for implementing this recommendation lies with the Chief, Financial Management Section, Division of Administration.

35. **In paragraph 10 (e), the Board recommended that ITC develop, as a priority, corporate performance indicators and a system through which achievements could be recorded and aggregated to provide an annual assessment of the Centre's impact.**

36. The matter is being addressed in a comprehensive manner within the framework of the change management initiative. This includes the prior definition of corporate goals, corporate strategic principles and programme-specific objectives, in addition to the objectives (and related indicators) that are already specified in individual projects. The results-based management system that ITC plans to establish will consist of a combination of performance measurements at these various levels. It is anticipated that the performance indicators and the mechanisms that are needed to monitor them and to aggregate data for corporate reporting on the Centre's impact will be defined by the end of 2000 and introduced in 2001 on a trial basis.

37. The responsibility for implementing this recommendation lies with the Chief, Programme and Resources Section, Office of the Executive Director, in cooperation with the Senior Monitoring and Evaluation Officer.

38. **In paragraph 10 (g), the Board recommended that ITC improve its planning and prioritization of research and development work, adopt a more prudent approach and strengthen its management of contractors to assure timely delivery of outputs.**

39. The Focus Group on Corporate Management Information System, together with other relevant organization change teams, will make proposals for improving the use of the system before the end of 2000. Upon endorsement of such recommendations by ITC management, detailed guidelines will be issued for data maintenance and updating by all concerned staff. Compliance with those guidelines will be monitored regularly as will the level and appropriateness of the system's use.

40. The responsibility for implementing this recommendation lies with the Chief, Programme and Resources Section, Office of the Executive Director.

B. United Nations University

41. The action taken or to be taken to implement the recommendations of the Board of Auditors in the report on the accounts of UNU for the biennium ended 31 December 1999[4] are set out below.

42. **In paragraph 10 (a), the Board recommended that UNU present in the financial statements both gains and losses on the sale of securities and equities in gross terms instead of presenting only the net amount, in accordance with the United Nations accounting standards.**

43. The recommendation has been effected in the UNU financial statement for the biennium 2000-2001 ended 30 June 2000.

44. The Director of Administration is responsible for implementation of this recommendation.

45. **In paragraph 10 (b), the Board recommended that UNU make provision for long-outstanding unpaid pledges.**

46. UNU will make provision for long-outstanding unpaid pledges, which will be included in the UNU

financial statement for the biennium 2000-2001 ended 31 December 2000.

47. The Director of Administration is responsible for implementation of this recommendation.

48. **In paragraph 10 (c), the Board recommended that UNU comply with the requirement to complete a performance evaluation at the termination of a contract prior to the renewal or extension of a special service agreement.**

49. The Administration will reissue, in September 2000, the instructions to each programme unit, reminding them of their responsibilities in this regard.

50. The Personnel Officer is responsible for implementation of this recommendation.

51. **In paragraph 10 (d), the Board recommended that UNU ensure that sufficient staff resources are secured to manage the projects.**

52. Effective immediately, and where appropriate, programme heads will ensure that sufficient funding for necessary staff resources is included in budgets for new projects. Once funding has been secured, recruitment of appropriate project personnel will be undertaken to ensure adequate resourcing of programmes.

53. The Vice-Rectors are responsible for implementation of this recommendation.

54. **In paragraph 10 (e), the Board recommended that UNU prepare in advance annual procurement plans to ensure competitive bidding for goods and services.**

55. All units will be requested to submit to the Administration, by the end of September 2000, their forward purchase plan for the remainder of the biennium 2000-2001. Following analysis, this will be discussed at the senior officers' meeting for approval.

56. The Director of Administration is responsible for implementation of this recommendation.

57. **In paragraph 10 (f), the Board recommended that UNU adhere to the procedures for tendering as laid down in the Procurement Manual for purchases under $25,000 as well as for purchases in excess of $25,000.**

58. UNU has been operating in line with the procedure followed by United Nations Headquarters, which issues requests for quotations instead of invitations to bid for the procurement of goods or services valued at more than $30,000 but less than $100,000. The Board's recommendation will be discussed with representatives of the United Nations Secretariat in September/October 2000.

59. The Director of Administration is responsible for implementation of this recommendation.

C. United Nations Development Programme

60. The action taken or to be taken to implement the recommendations of the Board of Auditors in the report on the accounts of UNDP for the biennium ended 31 December 1999[5] are set out below.

61. **In paragraph 10 (a), the Board recommended that UNDP ensure that it regularly follows up on all outstanding audit reports and that it concentrate its efforts on those countries where it has the greatest levels of national execution.**

62. The recommendation is accepted. The Office of Audit and Performance Review systematically follows up with all the country offices as a matter of practice. The Office will, however, make additional efforts to explore the reasons for non-compliance, particularly with country offices that have large national execution project portfolios. The Office will also develop strategies to ensure greater compliance for the next audit period.

63. The Director of the Office of Audit and Performance Review is responsible for implementation of this recommendation.

64. **In paragraph 10 (b), the Board recommended that UNDP complete the reconciliation of the main contributions account and make the necessary adjustments to its financial records.**

65. The recommendation is accepted. The delay in completing this reconciliation emanated from the problems experienced with the implementation of new Year-2000-compliant systems. The reconciliation is expected to be completed by the end of September 2000.

66. The Comptroller, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

67. **In paragraph 10 (c), the Board recommended that UNDP, in projects such as UNDP 2001, prioritize activities and devise measurable indicators and milestones to allow systematic monitoring of progress.**

68. A report entitled "The Way Forward: the Administrator's Business Plans 2000-2003", which was endorsed by the UNDP Executive Board in January 2000, sets out the vision for a new UNDP and outlines the transformation initiatives that need to be undertaken.

69. Building on and learning from the experience of the 2001 change process, the Bureau of Management has established a business plan monitoring system, which captures all the transformation initiatives from the business plans. The monitoring system includes the key elements of the initiative, focal points and project leaders, milestones, a real-time reporting mechanism, detailed costs and funding sources. In addition, each initiative was prioritized following the approval of the executive team. The road map has been used to monitor the progress of change against the business plans, with regular reports to the executive team. Where necessary, remedial action has been sought and follow-up implementation undertaken. Specific templates and additional regular reporting from each unit has been established for some of the major initiatives.

70. The business plans included a transformation scorecard with goals, outcomes, indicators of success and indicative targets. This is being developed into a UNDP "balanced scorecard", which will represent the key strategic tool for monitoring the 25 or so performance indicators that will be used to measure the impact of change and the successful implementation of the business plans. It is expected that the scorecard will be finalized in the last quarter of 2000.

71. It is considered that this recommendation is being implemented. The Deputy Assistant Administrator and Director, Office of Planning, Bureau of Management, is responsible for implementation of this recommendation.

72. **In paragraph 10 (d), the Board recommended that, at the planning stage of future projects such as UNDP 2001, UNDP cost all the proposed activities and estimate the total cost of the initiative.**

73. The response to paragraph 10 (c) applies also to this recommendation.

74. **In paragraph 10 (e), the Board recommended that in future projects such as UNDP 2001, project managers collect and report all available costs and central programme managers include such information in their regular status reports.**

75. The response to paragraph 10 (c) applies also to this recommendation.

76. **In paragraph 10 (f), the Board recommended that UNDP set a clear timetable for the completion of tasks outstanding from the UNDP 2001 initiative.**

77. See paragraph 136 below.

78. **In paragraph 10 (g), the Board recommended that all country offices investigate the possibility of agreeing common service contracts with other United Nations organizations as a method of offering potential cash savings and administrative efficiencies.**

79. The recommendation is accepted. UNDP confirms that it will be actively working with the inter-agency working groups on the implementation and management of common service contracts, including cost-effectiveness and performance measurement, starting in 2001.

80. The Chief, Administrative Services Division, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

81. **In paragraph 10 (h), the Board recommended that UNDP remind line units of the need to confirm receipt of goods and services promptly.**

82. The recommendation is noted. It has always been UNDP policy to ensure that line managers confirm receipt of goods and services before the actual payments are approved. This is further emphasized in the revised Finance Manual, which was issued in May 2000.

83. The Comptroller, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

84. **In paragraph 10 (i), the Board recommended that UNDP establish a database of potential suppliers.**

85. The recommendation is noted. Procurement at headquarters is done on a somewhat limited scale and covers a narrow range of goods and services,

essentially data-processing equipment, office supplies, office furniture, office equipment, printing and building maintenance services. As such, an informal roster of potential suppliers is maintained. The divisions at headquarters undertaking procurement make use, where possible, of the United Nations supplier roster maintained by the Procurement Division of the United Nations. In addition, for a number of common items, UNDP is able to use the long-term agreements entered into by the United Nations and UNFPA. UNDP also has access to the United Nations common supply database maintained by the UNDP Inter-agency Procurement Services Office on behalf of the United Nations system. It may not, therefore, be cost-effective for UNDP to establish and maintain its own separate formal database.

86. The Chief, Administrative Services Division, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

87. **In paragraph 10 (j), the Board recommended that UNDP develop more formal monitoring of supplier performance.**

88. The recommendation is noted, as are the accompanying comments on good practices of monitoring. UNDP will formalize its monitoring practices to capture relevant information on supplier performance.

89. The Chief, Administrative Services Division, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

90. **In paragraph 10 (k), the Board recommended that UNDP undertake a cost-benefit analysis to assess the savings likely to accrue from the development of a green procurement policy.**

91. The recommendation is accepted, and UNDP will take action accordingly.

92. The Chief, Administrative Services Division, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

93. **In paragraph 10 (l), the Board recommended that UNDP follow up on the recommendations made in the 1998 report on energy use and environmental impacts on the offices located at 304 East 45th Street (FF Building) and 1 United Nations Plaza (DC-1 building).**

94. The recommendation is accepted. Among the measures being taken to follow up on the recommendations made in the 1998 report on the FF Building is the retrofitting of the building. The request-for-proposal process is ongoing. This comprehensive energy efficiency retrofit will not only address equipment upgrades with control systems (air conditioning and lighting), but will also address managerial and maintenance issues. Implementation of the retrofit will begin by the end of 2000. With respect to the DC-1 Building, it is important to note that it is rented by UNDP from the United Nations, which in turn rents it from the United Nations Development Corporation. As the FF Building retrofit project is the first of its kind undertaken by the United Nations system, a successful outcome is likely to influence the United Nations in undertaking a similar initiative in the DC-1 Building. UNDP has already advised the United Nations of this initiative and will report on the results to the United Nations for possible replication in the DC-1 Building. In advocating this approach, UNDP will actively follow up this initiative.

95. The Chief, Administrative Services Division, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

96. **In paragraph 10 (m), the Board recommended that UNDP introduce improved monitoring of paper use across divisions and that it set a target for a reduction in paper use. The Board also recommended that UNDP set standards for printer and copier use, for example, ensuring that all machines default to double-sided printing.**

97. The recommendation is accepted. UNDP confirms that an action plan will be implemented by September 2000.

98. All new printer acquisitions are required to have duplex capability, and UNDP is standardizing printers and replacing the energy-inefficient ones. The Advisory Committee on Procurement has endorsed this plan.

99. The Chief, Administrative Services Division, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

100. **In paragraph 10 (n), the Board recommended that country offices ensure that executing agencies provide quarterly reports on the progress of projects and that UNDP take prompt corrective action when projects fall behind schedule.**

101. The recommendation is noted. In the past, UNDP programming procedures required quarterly reporting by executing agencies (then primarily specialized agencies of the United Nations system), but this requirement became burdensome and was reduced to annual reporting in the context of annual tripartite reviews of projects. As the extent to which agency execution is utilized as a modality for managing UNDP-supported projects has become limited, it may not be efficient to change current practices. At present, the largest portion of UNDP-supported projects are under national execution. A requirement for quarterly reporting under this modality already exists, since national executing agencies are required to report on the progress of projects in connection with requests for payment of quarterly advances of resources.

102. The Director, Operations Support Group, is responsible for implementation of this recommendation.

103. **In paragraph 10 (o), the Board recommended that UNDP use the financial information management shadow budgeting facility to implement a more realistic planning system and control the timing of project delivery.**

104. UNDP does use the financial information management shadow budgeting facility to manage the resources. A more realistic planning system and control to time project delivery would depend on factors beyond shadow budgeting, such as untimely delivery of goods and services ordered. However, the recommendation is accepted, and UNDP is already instituting systems such as results-based management towards the better control and timing of project delivery.

105. The Division for Resources Planning and Coordination, Bureau of Management, designed the financial information management shadow budgeting facility as a critical tool to be used by programme managers for ensuring realistic programme resource planning and delivery at both the individual project and overall programme levels. As financial information management is a decentralized system, the degree to which the shadow budgeting facility is used ultimately depends on individual users. The Division is currently preparing a letter to all resident representatives highlighting existing critical financial information management functionalities. UNDP will include appropriate text with respect to the shadow budgeting facility.

106. The Directors, Division for Resources Planning and Coordination, Bureau of Management, are responsible for implementation of this recommendation.

107. **In paragraph 10 (p), the Board recommended that UNDP ensure that all project documents and revisions contain information on the overall project budget, broken down by subheading and phased in over the life of the project; and the overall project budget broken down by objective or sub-objective.**

108. All budgets currently reflect annualized, approved inputs at the component/line level over the life of the project.

109. Budgeting by objectives and outputs was incorporated into the programme support document format and software. Moreover, the Programming Manual advocates the use of this methodology for project documents as well. These procedures are contained in the new Programming Manual, which was issued in April 1999. Project documents prepared before that date would not have benefited from those procedures. UNDP will ensure, through the country-office management plan and the results-oriented annual report, that procedures in the manual are followed.

110. The Director, Operations Support Group, is responsible for implementation of this recommendation.

111. **In paragraph 10 (q), the Board recommended that UNDP prepare project plans only on the basis of committed funding.**

112. It is indeed UNDP policy that project documents reflect only such funds as are available within ceilings for commitments for the current planning period (financial rule 111.01 (d)) at the time of signing the document. Country offices that do otherwise are in violation of the policy. As part of its oversight function, UNDP will begin to monitor project budgets to ensure the policy is followed.

113. The Director, Operations Support Group, is responsible for implementation of this recommendation.

114. **In paragraph 10 (r), the Board recommended that UNDP ensure that all projects contain quantified and measurable performance indicators or targets, and that it measure the progress of a project against those criteria. The Board also recommends that country offices carry out regular monitoring and evaluation in line with UNDP guidelines.**

115. The elements of the recommendation are provided for in the Programming Manual although older project documents may not contain them. New programming instruments are being developed and promulgated in UNDP to address delivery, results and performance through the results-based management and the country-office management plan. Once these instruments are in use in all countries, in 2001, UNDP will have in place a system of annual reviews and results-oriented annual reports to monitor the application of the new instruments, to assess the achievement of performance indicators and to monitor and evaluate performance.

116. The Directors, Operations Support Group and Evaluation Office, are responsible for implementation of this recommendation.

117. **In paragraph 10 (s), the Board recommended that the Office of Audit and Performance Review ensure that each member of the staff receives sufficient training to ensure that the organization retains its technical competency.**

118. In general, the Office of Audit and Performance Review has ensured training of its staff based on its annual training plans. For 1999, IMIS, as a new corporate tool, became a training priority, which affected training efforts and overall training expenditure as it was conducted in house. The Office benchmarked all staff against the results of the learning, training and development exercise in 1999 and identified long-term training and development needs. By the end of 2000, the Office will develop individual long-term learning, training and development plans specific to each staff member of the Office and ensure that they are implemented.

119. The Director, Office of Audit and Performance Review, is responsible for implementation of this recommendation.

120. **In paragraph 10 (t), the Board recommended that the Office of Audit and Performance Review follow up on the control self-assessment workshop reports and, where applicable, use this information to inform its risk assessments and audit planning.**

121. This recommendation is accepted. The Office will institute this as a mandatory practice in the planning of its audits by the end of 2000. The control self-assessment reports will systematically be posted on the Office's web site, with access only to Office staff, as part of the permanent files.

122. The Director, Office of Audit and Performance Review, is responsible for implementation of this recommendation.

123. **In paragraph 10 (u), the Board recommended that, as a first step in each audit and to help inform audit planning, the Office of Audit and Performance Review document the key systems and controls and keep the information on file permanently to facilitate subsequent audits.**

124. The recommendation is accepted. The Office will identify key systems and ideally incorporate them in electronic format, subject to availability of resources. References/links will also be made to the electronic corporate systems documentation already in existence. We anticipate that the majority of the work will be done by the end of 2000. However, for systems, that do not have complete documentation, additional review and analysis may be continued through the first half of 2001.

125. The Director, Office of Audit and Performance Review, is responsible for implementation of this recommendation.

126. **In paragraph 10 (v), the Board recommended that the Office of Audit and Performance Review develop an internal audit manual that provides a framework for its future operations, and that it support the manual with a series of comprehensive audit guidance notes to provide detailed advice for the effective performance of the audits.**

127. This recommendation is accepted. The audit manual will be completed and made available electronically by the end of 2000.

128. The Director, Office of Audit and Performance Review, is responsible for this recommendation.

129. **In paragraph 41, the Board recommended that UNDP require resident representatives to certify the accuracy of the annual country office inventory returns and to monitor returns to ensure that all are received. The Board also recommended that UNDP review the headquarters inventory and ensure that it provides realistic valuations for all equipment. The Board further recommended that UNDP intensify its effort to develop a suitable inventory control system.**

130. This recommendation is accepted. UNDP will ensure that action is completed by the first quarter of 2001.

131. The Chief, Administrative Services Division, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

132. **In paragraph 42, the Board recommended that during 2000 UNDP complete its review of advances to Governments that had been outstanding for more than a year and write off all necessary amounts.**

133. This recommendation is accepted. As part of its efforts to simplify the accounts, UNDP plans to commence a review of all pending receivables, including the outstanding advances to Governments, and to proceed to the necessary write-offs by June 2001.

134. The Comptroller, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

135. **In paragraph 64, the Board recommended that UNDP clarify the status of ongoing UNDP 2001 activities, given that it has formally closed the UNDP 2001 initiative, and, if appropriate, establish detailed budgets needed to fulfil them.**

136. At the formal conclusion of the UNDP 2001 initiative, on 31 December 1999, there were five remaining activities, four of which will be completed by the end of 2000 and one of which is included under the current business plan implementation. Detailed work plans and budgets have been established for all five activities.

137. The Deputy Assistant Administrator and Director, Office of Planning, Bureau of Management, is responsible for implementation of this recommendation.

138. **In paragraph 67, the Board recommended that, in a project such as UNDP 2001, UNDP should identify individuals responsible for implementation and monitor targets periodically in order to identify problems as early as possible and take any necessary remedial action.**

139. See the response to the recommendation in paragraph 10 (c) above (paras. 68-71).

140. **In paragraph 72, the Board recommended, and the country offices accepted, that offices should improve timetable arrangements.**

141. The recommendation is accepted. During 1999, a major exercise was carried out to agree on dates for harmonizing programme cycles. In addition, with the introduction of the country office management plan in 2001, each country office would be required to specify in its plan their timetables for common country assessments and United Nations development assistance frameworks.

142. The Director, Operations Support Group and the assistant administrators and regional directors are responsible for implementing this recommendation.

143. **In paragraph 79, the Board recommended that all country offices complete job descriptions and competency statements for all posts and that they use them to develop appropriate training plans for staff.**

144. In line with phase II of the reduction exercise, the country offices are expected to reduce their budget by 15 per cent in 2001. This will, in any case, affect the organization of the office and will no doubt require the redesign of job descriptions with competency statements and relevant retraining.

145. The Learning Resources Centre of the Office of Human Resources Management supports the development of appropriate training plans to accompany both new job descriptions and the alignment of competency statements for all posts, however, the expertise available from the Centre is limited. It is therefore the recommendation of the Centre that, in the interim, training plans be based on existing performance appraisal report recommendations.

146. The scope for creating new job descriptions and competency statements for the posts in all the UNDP country offices is extremely wide. In the context of the current reduction exercise at UNDP and the forthcoming restructuring expected of country offices, UNDP will need to determine the appropriate support for this important exercise and the level of additional resources required. It is too soon to know exactly the scope of this exercise, but it will be an early priority to be developed in connection with the eventual plans for country office restructuring. The approximate target date is the end of 2001.

147. The Director, Office of Human Resources, Bureau of Management, is responsible for implementation of this recommendation.

148. **In paragraph 97, the Board recommended that UNDP benchmark its performance in the time taken to let contracts, establish timetables for each element of the procurement process and monitor performance against them.**

149. The recommendation is accepted. UNDP will establish appropriate benchmarks for the letting of contracts.

150. The Director, Office of Legal and Procurement Support, Bureau of Management, is responsible for implementation of this recommendation.

151. **In paragraph 102, the Board recommended that UNDP build on the examples of good practice and ensure that clear terms of reference are used for bids and, where possible, use standard pricing sheets to assist in the evaluation of bids.**

152. Existing procurement guidelines will be further elaborated to disseminate information on best practices by the end of 2000.

153. The Director, Office of Legal and Procurement Support, Bureau of Management, is responsible for implementation of this recommendation.

154. **In paragraph 106, the Board recommended that UNDP ensure that country offices submit to the Advisory Committee on Procurement all procurement actions falling outside their delegated level of authority.**

155. The recommendation is accepted. UNDP shares the concerns expressed by the Board in this regard. Through the adoption of its revised procurement framework, as is now manifested in the new Finance Manual (which in turn is derived from the newly adopted and revised Financial Regulations and Rules), the limits of the authority of resident representatives to approve procurement actions have been clarified. UNDP plans to issue further detailed guidelines on procurement during the latter part of 2000 in order to assist country offices in adopting best procurement practices. In addition, new, more efficient methods of training procurement staff in country offices are being sought in order to improve the ability of country offices to comply with applicable rules and procedures. However, the situation will be monitored closely through mandatory reports of country offices on procurement activities and through regular internal auditing where procurement will be a special focus.

156. The Director, Office of Legal and Procurement Support, Bureau of Management, is responsible for implementation of this recommendation.

157. **In paragraph 117, it is recommended that UNDP give a higher profile to internal environmental issues. The Board also recommended that as it develops an environmental management strategy, UNDP incorporate key elements of good practice described in the international standard supporting sustainable business development (ISO 14001), particularly:**

(a) Approval of the environmental management strategy at the Executive Board level;

(b) Completion of environmental risk assessments;

(c) Documentation of environmental practices;

(d) Development of environmental objectives and targets, supported by measurable performance indicators to assess progress;

(e) Regular progress reports to the Executive Board;

(f) Identification of environmental training needs for staff and provision of resources to meet such needs;

(g) Internal audit or evaluation procedures that cover all activities that can potentially affect the environment.

158. The recommendation for UNDP to give a higher profile to internal environmental issues is welcomed. An assessment, funded by the Swedish International

Development Authority, of how UNDP is currently incorporating environmental sustainability issues into its worldwide operations has been carried out, and the draft report is in preparation. This report will outline options for how an environmental management strategy could be organized in UNDP, including most of the recommendations made by the Auditors. This report will be finalized by September 2000, and its recommendations will be reviewed by the Sustainable Energy and Environment Division, Bureau for Development Policy, and by the Greening UNDP Task Force for transmission to the Executive Team for a decision in early 2001 at the latest. The specific recommendations of the Auditors will be reviewed and taken into consideration in the September 2000 report.

159. The Director, Sustainable Energy and Environment Division, Bureau for Development Policy, is responsible for implementation of this recommendation.

160. **In paragraph 118, the Board recommended that each office develop formal green policies and establish a focal point to take matters forward.**

161. The recommendation is accepted. The "green" policy of UNDP has been in place since 1995, when the publication entitled "The Green Office Initiative" was officially released. To enhance ecological effectiveness at the country level, there is a need to develop detailed guidelines and practical tools. The Bureau for Development Policy and the Bureau of Management are working together on this issue and expect to develop such tools by the end of this year. To facilitate implementation at the country offices, UNDP will be pursuing the establishment of environmental targets, such as those related to paper and energy consumption, with the country offices.

162. The Director, Sustainable Energy and Environment Division, Bureau for Development Policy, is responsible for implementation of this recommendation.

163. **In paragraph 125, the Board recommended that UNDP develop appropriate tools and information to assist staff in their consideration of green issues at an early stage of the procurement process.**

164. The recommendation is accepted. UNDP agrees that it is extremely important that staff at headquarters and in the country offices have access to appropriate tools and information to give proper consideration to environmental issues at early stages of the procurement process. To this end, a representative of the UNDP Sustainable Energy and Environment Division was added to the Advisory Committee on Procurement in 1999 to help ensure that green issues are considered in procurement decisions. UNDP will develop for use by the Committee and country offices, by 31 January 2001, basic environmental guidelines, an overview of the key issues involved and sources of detailed and reliable information, as well as generic recommendations on major procurement items. These guidelines and background information will also be placed on the UNDP web site for easy access by UNDP staff and others after being prepared by the Environmental Policy Adviser and Procurement Adviser.

165. The Director, Office of Legal and Procurement Support, Bureau of Management, is responsible for implementation of this recommendation.

166. **In paragraph 131, the Board recommended that country offices address energy efficiency when preparing their individual green-office policies.**

167. The recommendation is accepted. To ensure consistency, UNDP is planning to issue guidelines or a checklist covering various aspects of energy conservation at the country office level. They will be issued by the end of this year.

168. The Chief, Administrative Services Division, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

169. **In paragraph 149, the Board recommended that UNDP complete and issue to country offices as a matter of priority the guidelines on projects funded by a major donor with incompatible accounting practices.**

170. The recommendation is accepted. The Division for Resources Planning and Coordination, Bureau of Management, will release draft guidelines by December 2000 on this donor's funded projects for internal UNDP review, comments and approval.

171. The Director, Division for Resources Planning and Coordination, Bureau of Management, is responsible for implementation of this recommendation.

172. **In paragraph 162, the Board recommended that the Office of Audit and Performance Review assess qualification needs for each audit post and draw up a strategy to ensure that those needs are met.**

173. The Office of Audit and Performance Review believes that this recommendation has already been addressed. In early 1999, as part of establishing its learning, training and development framework, the Office identified the proficiency requirements (in terms of knowledge, skills and experience) for all audit posts. Existing staff of the Office were assessed against the established proficiency requirements and identified gaps were included in learning, training and development plans. These proficiency requirements have also been used to assess candidates during subsequent recruitment actions.

174. The Director, Office of Audit and Performance Review, is responsible for implementation of this recommendation.

175. **In paragraph 171, the Board recommended that the Office of Audit and Performance Review conduct a detailed analysis of the risks to management information and financial controls associated with IMIS implementation and perform appropriate reviews of the system and its interfaces.**

176. The recommendation is accepted. The Office of Audit and Performance Review will undertake a detailed analysis of the risks associated with IMIS systems and its interfaces and will include in its 2001 audit plan a review of IMIS, with the scope to be determined as a result of the analysis.

177. The Director, Office of Audit and Performance Review, is responsible for implementation of this recommendation.

178. **In paragraph 174, the Board recommended that the Office of Audit and Performance Review ensure greater coverage of the Europe and Commonwealth of Independent States region during the biennium 2000-2001, especially given the growth in the number of these country offices in recent years.**

179. The recommendation is accepted, and the recommendation is in the process of being implemented. In order to increase the level of coverage of Europe and the Commonwealth of Independent States, the Office has already started the process of obtaining contract resources (contracts for activities of limited duration), which is expected to be completed by late 2000 or early 2001. Furthermore, by the end of 2000, the Office will have completed the management audits of at least four country offices in that region.

180. The Director, Office of Audit and Performance Review, is responsible for implementation of this recommendation.

181. **In paragraph 177, the Board recommended that the Office of Audit and Performance Review conduct formal, independent reviews to determine how effectively management is implementing the control self-assessment action plans.**

182. The recommendation is accepted. The control self-assessment initiative started in 1999 and is still in its early stages. The Office of Audit and Performance Review will undertake a review of the control self-assessment implementation process by the end of 2000. Currently, the control self-assessment process includes the completion of an action plan, which is required of management at the end of each control self-assessment exercise. For the results of the control self-assessment conducted in 1999, which had action plans, and those conducted in 2000, the Office will initiate a formal process for identifying and following up management actions to implement the recommendations. The Office will also identify the negative impact on service delivery of these additional efforts, which are subject to overall availability of resources.

183. The Director, Office of Audit and Performance Review, is responsible for implementation of this recommendation.

184. **In paragraph 181, the Board recommended that the Office of Audit and Performance Review revise its long-term plan to take account of risk to individual systems.**

185. The recommendation is accepted. The Office will identify by 31 December 2000 corporate systems and/or functions that will be taken into consideration in the next long-term and annual audit plans.

186. The Director, Office of Audit and Performance Review, is responsible for implementation of this recommendation.

187. **In paragraph 184, the Board recommended that the Office of Audit and Performance Review prepare audit programmes for all the functional**

and systems management audits it intends to perform, which management of the Office should review prior to the commencement of the audits to ensure that the proposed coverage is complete and meets the defined audit objectives.

188. The recommendation is accepted. Commencing immediately, the Office will prepare detailed audit programmes for all functional and systems audits prior to the commencement of such audits.

189. The Director, Office of Audit and Performance Review, is responsible for implementation of this recommendation.

190. **In paragraph 186, the Board recommended that the Office of Audit and Performance Review develop a system to properly identify the full cost of each output.**

191. The recommendation is accepted. By the end of December 2000, the Office will develop a concept paper to consider alternative cost models. One of these will be selected and implemented as a prototype by the end of 2001. UNDP anticipates the full implementation of the activity-base costing module in 2002. It should be noted, however, that this exercise will require significant resources and may result in the reduction of resources available for service delivery.

192. The Director, Office of Audit and Performance Review, is responsible for implementation of this recommendation.

193. **In paragraph 194, the Board recommended that the Office of Audit and Performance Review introduce a standard approach for conducting and evidencing the management review of working papers.**

194. The Office believes that this recommendation has already been addressed. As a result of the quality assurance review initiated by the Office, changes were introduced in 1999 with respect to the requirements for review of working paper files, including additional documentation of the review process.

195. **In paragraph 199, the Board recommended that the Office of Audit and Performance Review review on a test basis the working papers of all its contractors to ensure that they obtain sufficient, relevant and reliable audit evidence to support their conclusions.**

196. The recommendation is accepted. Owing to concerns about service quality, the use of firms to provide contracted audits of country offices has been discontinued, except in the Asia and Pacific and Arab States regions. The working papers of the firm providing services in those regions will be reviewed on a test basis before the end of 2000.

197. The Director, Office of Audit and Performance Review, is responsible for implementation of this recommendation.

198. **In paragraph 203, the Board recommended that UNDP re-establish the Management Review and Oversight Committee by reappointing individuals to the vacant seats on the Committee.**

199. The recommendation is accepted. The Committee is being re-established, and at least one meeting will be held before the end of 2000.

200. The Director, Office of Audit and Performance Review, is responsible for implementation of this recommendation.

D. United Nations Children's Fund

201. The action taken or to be taken to implement the recommendations of the Board of Auditors in the report on the accounts of UNICEF for the biennium ended 31 December 1999[6] are set out below.

202. The Executive Director is responsible for overseeing the implementation of audit recommendations. This responsibility is shared by the senior staff responsible for the specific areas covered in the recommendations.

203. **In paragraph 12 (a), the Board recommended that UNICEF closely monitor the level of programme implementation so that desired implementation benchmarks can be achieved.**

204. UNICEF takes a number of steps to ensure the close monitoring of programme implementation levels:

(a) At the field level, country offices pay particular attention to programme expenditure rates, achievement of programme objectives and the impact that programmes are having on the lives of women and children during their annual and mid-term reviews. Further, with the use of management tools provided by ProMS, country offices are able to monitor their

expenditure performance and take corrective actions if necessary;

(b) At the headquarters level, the Programme Division analyses the financial implementation of country programmes and provides reports to the global management team on country performance, together with recommendations for improvement twice a year. With continued monitoring of country office performance, the provision of programme guidelines and dissemination of best practices, increased implementation levels are expected.

205. The Deputy Executive Director, Programme and Strategic Planning, is responsible for implementation of the recommendation.

206. **In paragraph 12 (b), the Board recommended that UNICEF revise the mandate of the Office of Internal Audit to reflect the annual reporting to the Executive Board.**

207. In accordance with the proposal made by UNICEF to the Executive Board at its third regular session in 1997, the Secretariat presented an annual report to the Executive Board in 1998. The mandate of the Office of Internal Audit will be revised by 31 December 2000 to reflect the annual reporting to the Executive Board.

208. The Executive Director and the Director, Office of Internal Audit, are responsible for implementation of the recommendation.

209. **In paragraph 12 (c), the Board recommended that the Office of Internal Audit formulate policy guidelines on the preparation of working papers in compliance with accepted internal auditing standards, and that evidence of a supervisory review be shown on working papers to confirm that they have been subject to the proper level of review.**

210. The Office of Internal Audit has established a working group to develop a policy and management procedure for the preparation and review of audit working papers to meet accepted internal auditing standards. The new policy and procedures will become effective within the Office from 1 January 2001.

211. The Executive Director and the Director, Office of Internal Audit, are responsible for implementation of the recommendation.

212. **In paragraph 12 (d), the Board recommended that UNICEF take expeditious action to extend the database tracking system to all regional offices and headquarters divisions to enhance the capacity for monitoring internal audit recommendations.**

213. The Office of Internal Audit has established a working group to develop enhancements to the audit database that will allow the regional offices and headquarters divisions access to the audit recommendations and appropriate elements of audit reports. The revised database will be completed and operational within the Office of Internal Audit by 31 December 2000. Access to the database will be progressively rolled out to the regional offices and headquarters divisions in 2001.

214. The Executive Director and the Director, Office of Internal Audit, are responsible for implementation of the recommendation.

215. **In paragraph 12 (e), the Board recommended that the Americas and Caribbean Regional Office ensure that the integrated monitoring and evaluation plan is implemented in the remaining 23 country offices to enhance monitoring and evaluation of programmes in the region.**

216. In preparation for the next programme cycle, the countries under the Americas and Caribbean Regional Office will be holding strategy meetings in the last quarter of 2000. The regional office participating in the meetings will ensure that those countries fully implement the plan.

217. The Regional Director, Americas and Caribbean Regional Office, is accountable for implementation of the recommendation.

218. **In paragraph 19 (a), the Board recommended that UNICEF improve its working capital management in order to attain the accepted liquidity standard.**

219. UNICEF continuously assesses its working capital management in the light of the recommendation of the Board of Auditors.

220. The UNICEF Comptroller is responsible for implementation of the recommendation.

221. **In paragraph 19 (b), the Board recommended that UNICEF disclose separately convertible balances of general resources and supplementary funds in the notes to the financial statements to facilitate the determination of liquidity position in accordance with UNICEF policy.**

222. UNICEF will review the issue of separate disclosure of convertible balances of regular resources (general resources) and other resources (supplementary funds and emergency relief/rehabilitation) in the notes to the financial statements when preparing the financial statements for the biennium 2000-2001.

223. The UNICEF Comptroller is accountable for implementation of the recommendation.

224. **In paragraph 38, the Board recommended that UNICEF develop non-financial performance indicators as a basis for assessing its programme performance.**

225. Financial implementation rate is only one of many indicators being used to monitor programme performance. Country office management augments expenditure rates with monitoring implementation through field visits to ensure that inputs have been received, that activities have been carried out and that performance indicators are being measured. In addition, country offices set out annual management plans to define programme objectives, strategies for achieving the objectives, the inputs necessary to carry out the activities that will attain the objective and a monitoring system whereby indicators are measured to ensure that the desired outcome is achieved.

226. The Deputy Executive Director, Programme and Strategic Planning, is accountable for implementation of the recommendation.

227. **In paragraph 57, the Board recommended that UNICEF consider including a representative from another United Nations organization on its Internal Audit Committee.**

228. The Administration is considering the addition of representation from another United Nations organization on its Audit Committee. UNICEF has commissioned a quality assurance review of the audit function, which will be conducted in mid-2001 by the Institute of Internal Auditors. The review will include a consideration of the role and membership of the UNICEF Audit Committee, and the Administration will carefully review the observations and recommendations of that review in addressing the subject.

229. The Executive Director is accountable for implementation of the recommendation.

230. **In paragraph 80, the Board recommended that UNICEF establish a roster to guide its selection of consultants in the Supply Division, and that the Supply Division fully comply with established procedures relating to the evaluation of consultants.**

231. The Supply Division has established a roster of qualified and pre-screened candidates to allow for a more efficient selection process for temporary assignments. The Division has also established individual files for all consultants. Further, the Division will no longer issue final payments on consultancy contracts unless the evaluation reports are presented with the payment requests.

232. The Director, Supply Division, is responsible for implementation of the recommendation.

233. **In paragraph 83, the Board recommended that the management of the Americas and the Caribbean Regional Office ensure full compliance with administrative instructions relating to the engagement of consultants.**

234. In an all-staff meeting held in December 1999, the Regional Director of the Americas and the Caribbean Regional Office led the review of the audit findings and, in particular, the underlying causes of the delays in the signing of special service agreements. To address the audit finding, it was agreed that the Office's quarterly monitoring reports would include, as a management performance indicator, the number of special service agreements that were signed on time. Improvement in this area in 2000 has been noted. The Americas and the Caribbean Regional Office will continue to stress the importance of ensuring compliance with the relevant administrative instructions and will include the management indicator regarding the timely signing of special service agreements as an input in the staff's performance evaluation reports for 2000.

235. The Regional Director, the Americas and the Caribbean Regional Office is responsible for implementation of the recommendation.

236. **In paragraph 88, the Board recommended that the Brasilia field office closely monitor purchase orders to ensure more timely delivery of goods.**

237. With the implementation of the ProMS supply module in the Brasilia office, monitoring of purchase orders has become more transparent. Project officers are now in a position to check the pending supplies,

and this information will enable the staff to follow up on the timely delivery of goods.

238. The Regional Director, Americas and the Caribbean Regional Office, and the representative of the Brasilia field office are accountable for implementation of the recommendation.

239. **In paragraph 90, the Board recommended that the procurement procedures relating to competitive bidding be complied with fully.**

240. To ensure competitive bidding, the Jakarta field office invited five and seven suppliers, on 25 September 1998 and 3 March 2000 respectively, when the office needed to procure additional supplies that were the subject of the audit recommendation. Further, the field office is taking the following steps: (a) reviewing the present bidders' list for further categorization of suppliers (i.e., big, small and medium companies); (b) completing the company profiles of existing and new suppliers in the bidders' list; and (c) evaluating the company suppliers. In addition, the field office is now using a waybill system to control and monitor the flow of supplies.

241. The Regional Director for the East Asia and the Pacific Regional Office and the representative of the Jakarta field office are accountable for implementation of the recommendation.

E. United Nations Relief and Works Agency for Palestine Refugees in the Near East

242. The action taken or to be taken to implement the recommendations of the Board of Auditors in the report on the accounts of UNRWA for the biennium ended 31 December 1999[7] are set out below.

243. **In paragraphs 10 (a), 10 (b) and 41, the Board recommended that the Administration review the policy on the pre-financing of donor-specified projects in view of the adverse effect on the cash flow of the Agency and recover the $24.2 million outstanding from donors and reimburse the regular budget funds.**

244. A very small number of donors require the Agency to advance project funds to be reimbursed for actual expenditures incurred. The Agency regularly negotiates with donors in order to avoid having to enter into such agreements. In a few cases, the Agency authorizes advance funding for projects. This practice is restricted to cases in which specific donor agreements have been negotiated and signed in respect of full project funding in situations where the Agency has to meet initial funding requirements in order to get a project under way. In most cases advance funding is authorized only when advances do not have an impact on the Agency's cash flow. Both the External Relations Office and the Budget Division monitor cash outflow on such projects very closely in order to avoid any expenditure beyond the level of funding received and to request additional donor funds in time.

245. **In paragraphs 10 (c) and 44, the Board recommended that the Agency strengthen its efforts to recover the outstanding tax reimbursements of $23.72 million and make further appeals to two Governments to accept the tax-exempt status of the Agency.**

246. The Agency has vigorously pursued this matter at all levels with a view to resolving the long-standing matter in a mutually acceptable manner, and some progress has been achieved. The 1999 value-added tax of $1.2 million for the Gaza field office has been fully reimbursed. Management continues to make representations to various government authorities on this subject.

247. **In paragraphs 10 (d), 10 (e) and 51, the Board recommended that the Administration recover all overpayments relating to extended monthly evacuation allowances and education grants and review the various administrative instructions relating to the above grants.**

248. Out of the initial 14 cases, 9 have been fully settled, 2 are under appeal and 3 are being pursued by the Legal Office. Concerted efforts are being made by the Human Resources Division, the Legal Adviser and the Accounts Division to recover these overpayments.

249. **In paragraphs 10 (f) and 55, the Board recommended that the Agency develop and implement a computerized asset management system in order to better manage and control its non-expendable property items.**

250. The main area of concern was in the non-expendable properties transferred from Vienna to the Amman and Gaza headquarters. This mostly included various items of furniture, fittings and so on. When

they were initially relocated, neither the locator cards nor the value cards were reconciled in the two headquarters. An exercise was conducted at the Gaza headquarters to identify those assets, and a similar exercise is in progress at Amman.

251. The Comptroller will ensure that a complete reconciliation is completed before the closure of the first half of the biennium in December 2000, and the imminent reform of the financial system will incorporate a fully integrated and functional fixed-asset system.

252. **In paragraph 19, the Board recommended that for more accurate and transparent financial reporting the Agency disclose information on its cash flow statement in line with the United Nations accounting standards, including the disclosure of current and prior year comparative amounts.**

253. The Comptroller will ensure that this is incorporated into the mid-biennium 2000 financial statements.

254. **In paragraph 21, the Board recommended that full disclosure of the Agency's contingent liabilities be included in the notes to the financial statements.**

255. The Comptroller will ensure that they are incorporated into the mid-biennium 2000 financial statements.

256. **In paragraph 26, the Board recommended that the Agency include in its notes to the financial statements the method of valuation of its non-expendable equipment and motor vehicles.**

257. The Comptroller will ensure that this is incorporated into the mid-biennium 2000 financial statements.

258. **In paragraph 28, the Board recommended that the format of presentation of the Agency's statement of income, expenditure and changes in reserves and fund balances be improved further to disclose the net excess or shortfall of income and expenditure.**

259. The Comptroller will ensure that this is incorporated into the mid-biennium 2000 financial statements.

260. **In paragraph 34, the Board recommended that the Agency develop specific generic performance indicators as a basis for assessing programme performance.**

261. The Agency's new budget format, together with the proposed new finance system, which is currently being installed, will facilitate the consideration and development of appropriate performance indicators by programme management.

F. United Nations Institute for Training and Research

262. The action taken or to be taken to implement the recommendations of the Board of Auditors in the report on the accounts of UNITAR for the biennium ended 31 December 1999[8] are set out below.

263. **In paragraph 10 (a), the Board recommended that UNITAR disclose in the financial statements the value and method of valuation of non-expendable property and the amount of liability for end-of-service benefits, post-retirement benefits and annual leave.**

264. This matter will be discussed with the United Nations Office at Geneva Finance Section, and a decision regarding disclosure will be made before the end of the current biennium.

265. The Executive Director and the Finance and Administration Officer are responsible for implementation of the recommendation.

266. **In paragraph 10 (b), the Board recommended that UNITAR regularly review unliquidated obligations in order to cancel those which are no longer valid.**

267. Savings on prior-year obligations during the biennium 1998-1999 were significant. These savings related mainly to 1997 obligations cancelled on 31 December 1998. During 1999 UNITAR developed a procedure in which unliquidated obligations are reviewed every month. This procedure has been in operation for over one year and is working effectively, such that unliquidated obligations that are no longer valid are cancelled immediately.

268. The Finance and Administration Officer is responsible for implementation of the recommendation.

269. **In paragraph 10 (c), the Board recommended that UNITAR ensure that funds are available in**

advance of signing any contracts with staff or Special Fellows.

270. Since January 2000 UNITAR policy has been that contracts for staff and Special Fellows will be issued only if funds are available.

271. The Executive Director and the Finance and Administration Officer are responsible for implementation of the recommendation.

272. **In paragraph 10 (d), the Board recommended that UNITAR establish clear procedures for selecting and appointing Special Fellows and Senior Special Fellows, which should include: a clear statement of their purpose and functions; clear criteria to be met by all candidates; a requirement to consider as wide a selection of candidates as is possible and feasible; and a process of review carried out independently of the recommending staff member.**

273. UNITAR recognizes the fact that the procedures concerning the use of Special Fellows needs clarification. A thorough study of Special Fellows will be undertaken that will investigate selection and appointment, duration of contracts, content of letters of appointment and level of remuneration and any other benefits. This will be implemented during the second half of 2000.

274. The responsibility for implementing this recommendation lies with the Executive Director and the Finance and Administration Officer.

275. **In paragraph 10 (e) the Board recommended that UNITAR establish guidelines for the duration of contracts of Special Fellows and Senior Special Fellows.**

276. This matter will be dealt with in conjunction with recommendation 10 (d).

277. **In paragraph 10 (f) the Board recommended that UNITAR ensure that appointment letters for Special Fellows provide a clear description of the duties to be performed, including precise and measurable outputs.**

278. This matter will be dealt with in conjunction with recommendation 10 (d).

279. **In paragraph 10 (g), the Board recommended that UNITAR ensure that payments to Fellows follow the principles set out in the United Nations guidelines on consultant remuneration, which require the primary considerations to be the complexity, difficulty and extent of the work to be performed and the degree of expertise required to accomplish it.**

280. This matter will be dealt with in conjunction with recommendation 10 (d).

281. **In paragraph 10 (h), the Board recommended that UNITAR ensure that any benefits provided to Fellows are in accordance with article VI of the Statute and are clearly stated in the appointment letters.**

282. This matter will be dealt with in conjunction with recommendation 10 (d).

283. **In paragraph 22, the Board recommended that UNITAR appraise the recoverability of the remaining deficit balances and write off any amounts that are not recoverable.**

284. UNITAR has three deficit balances that have been outstanding for more than four years totalling $51,375. All three balances relate to debts owed to UNITAR. UNITAR is currently taking steps to recover two balances with a total value of $18,149. If it is unsuccessful, those balances will be written off during the biennium 2000-2001. The third balance, of $33,227, refers to a payment made by the United Nations Office at Geneva that must be recovered or written off by the Office.

285. **In paragraph 28, the Board recommended that UNITAR obtain from UNDP supporting documentation for the outstanding inter-office vouchers, in the absence of which UNITAR should agree with UNDP how the amounts concerned should be cleared.**

286. The balance of $25,001 remains unidentified. UNITAR agrees with the recommendation of the Board of Auditors and will execute it as suggested in the second half of 2000.

287. The Finance and Administration Officer is responsible for implementation of this recommendation.

288. **In paragraph 43, the Board recommended that UNITAR append a standard set of conditions to all letters of appointment that addresses key issues such as confidentiality, avoidance of conflicts of**

interest, title rights for work produced and arbitration of disputes

289. This matter will be dealt with in conjunction with recommendation 10 (d).

290. UNITAR has fully implemented the recommendations made in the reports to the Board of Auditors for the financial periods ended 31 December 1997 and earlier.

G. Voluntary Funds administered by the United Nations High Commissioner for Refugees

291. The action taken or to be taken to implement the recommendations of the Board of Auditors contained in the report on the accounts of UNHCR for the biennium ended 31 December 1999[9] are set out below.

292. **In paragraph 13 (a), the Board recommended that UNHCR ensure complete and accurate disclosure of non-expendable property, urge all field offices to submit updated inventory databases, prepare the comprehensive database for non-expendable property based on the same cut-off date and conduct on a regular basis physical stock checks.**

293. The management of non-expendable property at UNHCR is a decentralized process. In the field, each country operation is responsible for maintaining a complete and accurate database of the non-expendable property under their care and under the care of implementing partners. At headquarters, non-expendable property management is the responsibility of the Building Service Management Unit.

294. The Asset Management Unit, within the Financial Resources Service, is responsible for compiling the figures that are included in the financial statement.

295. Until 1999, the Office was using MINDER software to facilitate the recording of the pertinent non-expendable property data. The software was not year-2000-compliant and required upgrading. In the second quarter of 1999, however, the vendor of MINDER notified UNHCR that it would not continue to support this software in 2000. Moreover, the software was found to be not user-friendly and was beset with technical problems. This led to a low overall compliance rate in reporting data on non-expendable property. Nevertheless, headquarters and the UNHCR Section of the Office of Internal Oversight Services repeatedly urged field offices to submit updated inventory databases throughout the year.

296. The MINDER software has been replaced with an interim solution (pending the full roll-out of the Integrated Systems Project), known as AssetTrak. AssetTrak is a simplified, user-friendly program that operates in the Microsoft Windows operating system environment. The software was introduced in May 2000, and the field's response has been very positive, confirming the ease of use and simplicity of the program. During the roll-out, all responsible parties were reminded of the requirement to conduct an annual physical check of the non-expendable property.

297. In an organization as large as UNHCR, operating in more than 180 countries worldwide, carrying out a comprehensive inventory with a single cut-off date represents a huge challenge. The Office will endeavour to confirm the accuracy of field offices' inventories during the fourth quarter and/or update them for use in consolidating the figures provided in the financial statements.

298. **In paragraph 13 (b), the Board recommended that UNHCR reconcile the unliquidated obligations reported at year's end by field offices to ensure that there is no overstatement of expenditures in the accounts.**

299. UNHCR would like to reassure Executive Committee members and the Board of Auditors that this matter was thoroughly reviewed throughout the year and during the year-end closure exercise. The guidelines for closing accounts for 2000 will be made more explicit and clearly define the responsibilities of programme managers both in the field and at Headquarters. During the year, this matter was discussed in the monthly coordination meetings between the Financial Resources Service and the senior resource managers within each operation. In an effort to reconcile unliquidated obligations during the year, instructions have been issued linking the requests for increases in obligations with the reconciliation of prior-year unliquidated obligations. During the year-end closure, a project-by-project review takes place to ensure that the unliquidated obligations reported are justified and properly documented prior to their being recorded in the accounts.

300. Of the $165.3 million that had remained unliquidated at year's end, as referred to by the Auditors in paragraph 23 of their report, an amount of $88 million was liquidated in the first half of 2000. Additionally, $27.5 million, or 16.6 per cent, concern unliquidated obligations under administrative projects for which the normal liquidation period for administrative expenditures is 12 months. The relevant supporting documentation on this issue was made available to the auditors. Lastly, there are a number of projects whose duration extends into 2000; therefore, it is considered legitimate to retain the unliquidated obligations.

301. The remaining balance has been systematically reviewed and obligations no longer required have been cancelled. It should be noted that field offices supervise project implementation on the basis of certain assumptions as to what can be achieved. There are often constraints in implementation that preclude offices and their implementing partners from completing activities. In many countries UNHCR operates under circumstances that can be described as uncertain at best. Field offices budget and establish obligation levels using their best judgement, but can liquidate their obligations only if circumstances so permit. If, for example, financial reports from implementing partners requesting final instalments do not arrive before the end of the year, UNHCR cannot simply cancel the remaining budget balance. If implementation has proceeded according to schedule, late instalments will be required and obligations must be retained.

302. As explained above, unliquidated obligations that are no longer required are cancelled during the following year and are reported in the financial statements as such. However, the fact that unliquidated obligations may be cancelled should not be interpreted as an overstatement of expenditures in the accounts for the previous year.

303. **In paragraph 13 (c), the Board recommended that UNHCR urge implementing partners with long-outstanding advances to submit their final sub-project monitoring reports and facilitate the clearance of projects.**

304. In 1999 and continuing in 2000, the Office has made very good progress in its efforts to obtain final sub-project monitoring reports from all of its partners. In the course of 1999, the outstanding balance of instalments to implementing partners for the years 1994 to 1997 was reduced by 49 per cent, from $63.4 million to $32.2 million. In the first six months of 2000, this figure was reduced by a further $10.6 million. The management controls elaborated on in the response to recommendation 13 (g) of the Board of Auditors are proving effective in controlling the ageing of instalments provided to partners.

305. **In paragraph 13 (d), the Board recommended that UNHCR continue to make efforts to encourage implementing partners to submit the required audit certificates.**

306. In the follow-up on action taken to implement the recommendations contained in the Board of Auditors report for 1998 (A/AC.96/933, annex, paras. 6 and 7), UNHCR indicated that, with the introduction of the new policy and conceptual approach adopted in 2000, the compliance rates for the submission of audit certificates by implementing partners were expected to improve. The essential elements of the new policy and approach are set out below.

Government partners

307. The current deadline of three months after the liquidation date has proven to be too short. In many countries, the Government's audited financial statements are not available before the second half of the following year. In some countries, the audit of government accounts is not systematically done on a yearly basis. Indeed, many countries have a policy of auditing their institutions every two years and on a random basis, therefore UNHCR projects may not be included in the sample chosen by the audit institutions. As a first step, UNHCR offices in the field will be requested to identify, in the sub-agreement, the appropriate government audit authority prior to implementation of the sub-project. In addition, the deadline will be extended to six months after the final liquidation date and the audit certificate requirement will be limited to governmental partners whose projects have an aggregate value of $100,000 or more.

National non-governmental organizations

308. An audit certificate will be the result of a project audit whose scope is limited to the implementation of a UNHCR sub-project. To improve compliance with minimum requirements for the objectives, scope and report structure of such audits and the basis of the audit

opinion, guidelines have been developed. The guidelines contained in the UNHCR Manual have been revised to include guidance on the engagement of audit firms for the independent audit of UNHCR projects.

International non-governmental organizations

309. With the introduction of the requirement for international non-governmental organizations (NGOs) to submit consolidated audited financial statements for 1998, the compliance rate increased from 82.6 per cent for 1997 projects as at June 1999 to 88.8 per cent for 1998 projects as at June 2000. In many cases, international NGOs follow fiscal years different from the project year (for instance, April to March, June to July or October to September), whereas UNHCR projects normally follow the calendar year. Therefore, the timeliness of submissions remains a problem over which UNHCR has very little control.

310. UNHCR has introduced the requirement that a note or schedule be attached to the implementing partner's financial statements detailing by sub-project the UNHCR funds received and spent as well as any unspent balances or balances due to or from UNHCR. This note or schedule will have to be certified by the organization's independent auditor. In line with other categories of implementing partners, UNHCR has decided to limit the audit certificate requirement to international NGOs with sub-projects having an aggregate value of $100,000 or more in a given year.

311. UNHCR has also proposed that a different conceptual approach be taken with regard to the role the availability of audit certificates has in the process of auditing UNHCR financial statements. The Board of Auditors has agreed to de-link these two elements. Audit certificates are seen as an essential component of the UNHCR control systems, reassuring management that implementing partners' financial reports can be relied upon and the Board of Auditors that proper control is in place. If positive assurance is provided year by year, the final financial sub-project monitoring reports from implementing partners should be a sufficient basis for the external audit of UNHCR financial statements. This means that the team auditing the UNHCR accounts for 2000 would not rely only on the audit certificates for 2000 projects, but would also review the certificates received for the previous years. A review of compliance and quality of the certificates for the previous years should provide the team with assurances that proper controls are in place at UNHCR.

312. In addition to increasing the number and percentage of audit certificates submitted and improving their quality, UNHCR is committed to making better use of the information provided. Furthermore, in compliance with the auditors' recommendation, UNHCR undertakes a yearly collection campaign targeting major international and national NGOs implementing projects with an aggregate value of $1 million or more.

313. UNHCR is of the opinion that this overall policy change, which is being incorporated into the revised UNHCR Manual, adequately addresses this recommendation.

314. **In paragraph 13 (e), the Board recommended that UNHCR immediately address the rolling-out of the new asset management system for effective management and control of assets.**

315. The roll-out of the new asset management system, AssetTrak, took place on 5 May 2000. To date, out of 120 field offices, 61 responses have been received. A reminder was sent to those offices that had not replied, emphasizing the importance of the submission of the AssetTrak database. All field office managers have also been reminded of their responsibility in this regard.

316. **In paragraph 13 (f), the Board recommended that UNHCR require all field offices to provide adequate segregation of incompatible functions, such as accounting, procurement and cashiering, to ensure strong checks and balances of responsibility and to adhere strictly to the United Nations Financial Regulations and Rules.**

317. UNHCR agrees with the Auditors that this is one of the most important internal control mechanisms and, whenever possible, this principle is enforced. However, in many UNHCR offices, segregation of functions cannot be fully implemented because of their size. Complete implementation would result in the need to increase staffing and therefore costs. This would then be incompatible with the recommendation made in paragraph 44 of the report. Furthermore, segregation should be judged against materiality and financial risk exposure.

318. UNHCR is currently introducing new policy guidelines dealing with the delegation of authority in which UNHCR emphasizes the importance of segregating duties. A number of compensating control

measures are being suggested for implementation in field offices with low staffing levels.

319. Potential risks are being minimized by implementing stricter monitoring and control of field offices, both through headquarters inspection and evaluation missions and the UNHCR Internal Audit Section.

320. **In paragraph 13 (g), the Board recommended that UNHCR streamline project implementation by ensuring that instalments to implementing partners are released on time, and that sub-project monitoring reports are regularly submitted by the field offices to allow headquarters to assess the progress of the ongoing projects. The Board also suggests that field offices closely monitor the performance of implementing partners to provide them with adequate information to determine whether they should be considered in future UNHCR projects.**

321. UNHCR would like to reassure the Board that systems are in place to control the timely release of instalments to implementing partners. The procedures for release of instalment payments under operational projects to implementing partners are contained in an instruction dated 21 January 1999 (IOM/FOM/13/99). This instruction replaces section 6.5 of chapter 4 of the UNHCR Manual, dated December 1995, concerning implementing partner recording. The UNHCR functional entities involved in the processing of payments to implementing partners are the UNHCR representative or head of country office, the Programme Unit and the Finance Unit in the field and/or at headquarters.

322. After the first instalment is made, no further instalments should be paid in advance. An instalment payment may be made only when it is requested by the implementing partner and where the cash balance on hand from previous instalments is reduced to 30 per cent or less of the latest instalment paid. This margin is essentially to allow UNHCR to process the next instalment payment in a timely manner. Delays in the payment of instalments to an implementing partner normally do not occur unless the partner was delayed in requesting the payment. If an instalment payment is requested when the level of cash on hand is well below 30 per cent, the time for processing the next payment may be inadequate, thus resulting in a delay. Notwithstanding the fact that the cases witnessed by the Auditors are exceptional, field offices will once again be advised to make payments to implementing partners only when they are due.

323. Monitoring the performance of implementing partners is an integral part of the UNHCR programme management system. It is the responsibility of the UNHCR representative or head of country office to monitor implementation of projects entrusted to implementing partners and to ensure that their performance is in accordance with the sub-agreements signed with them. In addition, the regional bureaux at headquarters monitor the performance of implementing partners on the basis of the financial and narrative reports received from field offices, as well as by undertaking monitoring missions to the field. Feedback on the performance of implementing partners is provided to field offices, mainly by the regional bureaux. The Financial Resources Service at headquarters, in cooperation with the NGO Coordination Unit, provides technical support. Collaboration with an NGO is reviewed when it is determined that its performance is not satisfactory following a recommendation from the representative, an assessment made at the headquarters level or as a result of an internal audit mission. Failing corrective action by the implementing partner, the NGO Coordination Unit will, upon request from the Financial Resources Service and the regional bureau, advise the field office not to engage the concerned NGO as an implementing partner. It should, however, be noted that in many instances UNHCR does not have a choice, as the number of NGOs operating in certain areas is very limited.

324. UNHCR has conducted a series of training workshops for field staff on the preparation of project descriptions, sub-project descriptions and strategic planning, leading to the preparation of the country operations plan. To further complement this effort, UNHCR has over a period of two years carried out 57 financial management workshops covering 1,172 staff members, where the importance of implementing partner financial monitoring was emphasized. UNHCR will shortly issue a comprehensive chart describing the delegation of financial signing authority, which will reinforce the role of authorizing officers in monitoring the performance of implementing partners.

Previous recommendations not fully implemented

325. **In paragraph 8 (a), the Board recommended that UNHCR ensure timely signing of sub-agreements with implementing partners (1995, 1996 and 1998).**

326. UNHCR has previously informed the Board of the intensified efforts undertaken to ensure that field offices receive the required authorizations with sufficient advance notice to enable them to sign sub-agreements in a timely manner. There are, nevertheless, some instances where the sub-agreements are subject to lengthy negotiations and clearances, in particular when dealing with government partners. In those cases some delays may occur, but they cannot be curtailed, since this would adversely affect the population being assisted. The situation witnessed by the Auditors during 1995, 1996 and 1998 was exceptional and has since greatly improved. UNHCR is of the opinion that all measures to address this recommendation have been taken and that it has been implemented.

327. **In paragraph 8 (b), the Board recommended that UNHCR make the preparation of work plans an integral part of the project planning and monitoring process (1995, 1996 and 1998).**

328. UNHCR agrees that work plans are an important element of project planning and monitoring. The level of detail of a plan will depend on the volume and complexity of the project. In some instances a formal work plan may not be necessary. UNHCR is introducing new software that will allow the automated production of work plans and is currently analysing different products. It plans to procure the software in 2000, create a prototype and test its functionality with a view to incorporating the results into the integrated systems project. In the meantime, field offices will continue to use existing software tools (for instance, Microsoft Project and Excel) to prepare work plans when required.

H. Fund of the United Nations Environment Programme

329. The action taken or to be taken to implement the recommendations of the Board of Auditors as set out in the report on the accounts of the Fund of UNEP for the biennium ended 31 December 1999[10] are set out below.

330. **In paragraph 12 (a), the Board recommended that the Administration disclose the accounts receivable and accounts payable in gross rather than net terms, in accordance with the United Nations accounting standards.**

331. The correct figures in respect of statement II are: credit balances in receivables $382,154 and debit balances in payables $596,719. Given receivables of $11.0 million, UNEP believes the netting-off of receivables of $382,154 does not materially distort the financial statements, and therefore the recommendations should refer only to the lack of gross-up in respect of payables.

332. The responsibility for implementing this recommendation lies with the Chief, Financial Resources Management Service, United Nations Office at Nairobi.

333. **In paragraph 12 (b), the Board recommended that the Administration take action to ensure that project expenditures are maintained within approved commitments.**

334. Management agrees with the recommendation. However, it is important to point out that a mechanism for reviewing and monitoring project expenditures already exists through the monthly project account reports, which compare recorded expenditures against approved commitments. While the review and monitoring of expenditures is strictly carried out, a few cases of over-expenditure are occasionally allowed in order to expedite the implementation of specific activities for which funds have been allocated but have not yet been reflected in a revised project budget. This is authorized on a case-by-case basis, with the explicit understanding that the project revisions will be prepared shortly for approval. However, at times project revisions are delayed, taking into account the need for a consultative process within UNEP as well as with its implementing partners. Moreover, the number of project revisions are kept to a minimum in line with previous audit recommendations.

335. **In paragraph 12 (c), the Board recommended that UNEP review all inactive projects and take steps to obtain the required documents to make possible the timely closure of all completed projects. In this regard, UNEP should determine the causes of the factors preventing the timely closure of the projects.**

336. Management agrees with the recommendation and has already gone further to review and identify the factors that prevent the timely closure of completed projects. In order to expedite the receipt of outstanding reports, which are a prerequisite to the closing of projects, the following are among the measures that have been put in place to ensure closure of all completed projects:

(a) Periodic six-monthly overviews of outstanding reports on active projects to facilitate immediate corrective action, which will be followed up by the Project Approval Group;

(b) Division directors will ensure that all current umbrella projects are evaluated by the responsible managers within six months after their end date in order to close them, and will also ensure that justification is provided in cases where outputs have not been completed;

(c) Programme managers are required to submit at the end of each year self-evaluations for all ongoing projects as well as projects completed during that year and those completed the previous year for which self-evaluation fact sheets have not been submitted.

337. In addition, a review is carried out of all organizations implementing UNEP projects with a view to identifying those which fail to submit the required reports. In such cases cash advances for ongoing projects are withheld until the reports are submitted, or alternatively, the organization may be barred from implementing new projects. The above measures are being followed rigorously, and UNEP anticipates positive results. For example, as at the end of May 2000, the pre-1995 inactive projects had been reduced from 84 to 57 and those for the biennium 1996-1997 had been reduced from 81 to 67.

338. The responsibility for implementing this recommendation lies with the Chief, Budget and Funds Management Service, United Nations Office at Nairobi.

339. **In paragraph 12 (d), the Board recommended that UNEP provide the United Nations Office at Nairobi with the information needed to maintain a central roster of consultants that should be used as the basis for their selection.**

340. Although management agrees with this recommendation, the United Nations Office at Nairobi has informed UNEP that it is unable to establish and maintain a roster of consultants because of a lack of resources. If and when additional resources are allocated to the Human Resources Management Service, it will be in a position to comply with the recommendation. UNEP management should work with the Service to establish and maintain a roster of consultants. In the meanwhile, all divisions will maintain sub-rosters of consultants, which will be used by the UNEP Evaluation and Oversight Unit to set up a UNEP roster that will eventually serve as the basis for the central roster to be maintained by the United Nations Office at Nairobi.

341. The responsibility for implementing this recommendation lies with the Chief, Evaluation and Oversight Unit, UNEP, and the Officer-in-Charge, Human Resources Management Service, United Nations Office at Nairobi.

342. **In paragraph 12 (e), the Board recommended that UNEP ensure that the terms of reference of consultants include performance indicators by which results can be assessed or evaluated.**

343. Management agrees with the recommendation and has prepared comprehensive guidelines for the implementation of the new administrative instructions on consultants and individual contractors for UNEP, the United Nations Centre for Human Settlements (Habitat) and the United Nations Office at Nairobi. These guidelines provide clarifications on the procedures for hiring consultants and individual contractors in line with administrative instruction ST/AI/1999/7. These guidelines, which will be implemented in the very near future, include the following:

(a) Terms of reference;

(b) Duration of contract;

(c) Selection process and criteria;

(d) Verification of credentials, qualifications and experience;

(e) Remuneration;

(f) Performance indicators;

(g) Performance evaluation.

344. The responsibility for implementing this recommendation lies with the Chief, Evaluation and Oversight Unit, UNEP, and the Human Resources

Management Service, United Nations Office at Nairobi.

I. United Nations Population Fund

345. The action taken or to be taken to implement the recommendations of the Board of Auditors in the report on the accounts of UNFPA for the biennium ended 31 December 1999[11] are set out below.

346. **In paragraph 11 (a), the Board recommended that UNFPA set expenditure ceilings within the expected level of income and apply them rigorously in the allocation of authority to incur expenditure.**

347. For 2000, the Executive Director instructed programme managers that the allocation levels had to be reduced to a level equal to or below the year's expenditure ceilings by November 2000. The two Deputy Executive Directors are strictly enforcing financial and budgetary discipline. Actual income is also closely monitored to verify the validity of the projected income level for the year. The assessment of financial management of programme managers will be a regular feature of the staff performance appraisal system.

348. The UNFPA representatives and the directors of the concerned divisions at headquarters are responsible for ensuring that final expenditures do not exceed ceilings.

349. **In paragraph 11 (b), the Board recommended that, until its operational reserve is restored to at least $50 million, UNFPA operate during the biennium on a fully funded basis, limiting expenditure allocations to the level of actual income received.**

350. UNFPA is committed to strict financial and budgetary control and will ensure that at the end of the biennium the level of the operational reserve will be at least $50 million.

351. The two Deputy Executive Directors are responsible for overall financial and budgetary discipline.

352. **In paragraph 11 (c), the Board recommended that UNFPA require field offices to prepare annual audit plans, identifying which projects will be subject to external audit, and to coordinate them at UNFPA headquarters to ensure that the organization has a sufficient level of coverage.**

353. In line with UNDP practice, the requirement for an annual project audit was changed to require an audit at least once in the lifetime of the project. From now on, each country office and, in the case of intercountry projects, concerned divisions at headquarters will prepare annual audit plans. Both country offices and concerned divisions at headquarters are responsible for the preparation and implementation of the audit plans.

354. The Chief, Internal Audit Section, will monitor compliance with project audit requirements.

355. **In paragraph 11 (d), the Board recommended that UNFPA closely monitor trust fund income and expenditure to ensure that it does not obligate expenditure without having sufficient funds available.**

356. The Division for Finance, Administration and Management Information Systems has reviewed the two cases referred to in the report of the Board of Auditors and would like to provide clarification. In one case, the negative balance was recorded because of miscoding. In the second case, the actual negative balance amounted to $7,618. Corrective action is being taken in both cases, and UNFPA will further strengthen internal controls of trust funds. The Finance Branch and Resources Development Branch will review all new trust fund agreements to ensure that disbursement schedules are in line with income flows and that the appropriate reference is included in the agreement to protect UNFPA regular resources. The allocation and disbursement of funds will be subject to the outcome of such a review. Corresponding administrative instructions will be issued in the second half of 2000. The Division for Finance, Administration and Management Information Systems will further emphasize to all concerned parties the importance of ascertaining that there are sufficient funds before obligating any expenditure. All concerned staff will be held accountable.

357. **In paragraph 11 (e), the Board recommended that UNFPA make the use of its criteria for assessing technical and managerial capacity mandatory in selecting executing agencies and that UNFPA require that project documents contain clear assessments of executing agencies' capacities and specifically address any identified weaknesses.**

358. The criteria for assessing potential executing agencies are now part of the UNFPA Programme Manual. These pertain to the potential executing agency's technical capacity, managerial capacity and comparative advantage. An assessment of potential executing agencies is conducted during the development of UNFPA-supported country programmes. Results of the assessment are part of the basis for defining the implementing and execution modalities for the country programme. An analysis of the adequacy and appropriateness of the execution modalities selected is an integral component of the annual country reviews and the mid-term review of country programmes. With regard to regional and interregional activities, a preliminary assessment is made during the preparation of the intercountry programme.

359. The UNFPA representatives and the directors of the geographic divisions and the Technical and Policy Division are responsible for ensuring that the project documentation includes a clear assessment of the capacity of executing agencies and that any weaknesses are appropriately addressed.

360. **In paragraph 11 (f), the Board recommended that UNFPA strengthen the management and monitoring of its projects at the design phase by incorporating baseline information and qualitative and quantitative performance indicators.**

361. UNFPA is strongly committed to the use of performance indicators and baseline information. In this context, the Executive Board, in April 2000, approved the Fund's multi-year funding framework, which builds on clearly defined organizational results and a set of indicators to track progress towards achieving them. At the project level, programming and monitoring tools will be developed to aid country office staff in programme management and monitoring. The first of these will be disseminated in late 2000. The dissemination of such tools will continue as part of a dynamic process to improve the quality and delivery of programmes. The results-based approach requires a rigorous application of the log-frame approach in planning, monitoring and reporting of purposes and results, using indicators identified in the log-frame matrix.

362. The Deputy Executive Director (Programmes), and the Chief, Office of Results-Based Management, will closely monitor the global implementation of the results-based approach, including the use of baseline information and performance indicators.

363. **In paragraph 11 (g), the Board recommended that UNFPA require headquarters units and country offices to provide the headquarters Procurement Unit with detailed annual procurement plans.**

364. UNFPA agrees with this recommendation and a circular will be issued in September 2000 by the Deputy Executive Director (Policy and Administration) to request that such plans be prepared for 2001.

365. The Director, Division for Finance, Administration and Management Information Systems, and the Chief Procurement Officer will monitor compliance.

366. **In paragraph 11 (h), the Board recommended that UNFPA require divisional directors and chiefs of offices to confirm that substantial procurement is routed through the Procurement Unit before certifying procurement requests.**

367. UNFPA accepts this recommendation. The Division for Finance, Administration and Management Information Systems will issue corresponding administrative instructions in the last quarter of 2000. With the implementation of this recommendation, chiefs of organizational units are personally accountable for channelling all procurement requests through the Procurement Unit. Non-compliance will be part of the individual officer's performance assessment and, if necessary, action to enforce accountability will be taken.

368. **In paragraph 11 (i), the Board recommended that UNFPA develop a process for formally recording and monitoring suppliers' performance.**

369. UNFPA agrees with the recommendation. The reason that such a system has not as yet been put in place is that the Inter-Agency Procurement Working Group is in the process of developing a common system for use by all United Nations organizations. In the light of the Board of Auditors' comments, however, the Procurement Unit has developed and is maintaining an interim monitoring system. The common system is expected to be operational in 2001.

370. **In paragraph 11 (j), the Board reiterated its recommendation that UNFPA remind all country offices of the need to submit receipt and inspection**

reports within three weeks of delivery for all goods procured by headquarters.

371. Country offices were last reminded of this requirement on 22 November 1999. The Chief Procurement Officer will closely monitor compliance and take any follow-up action required.

372. **In paragraph 11 (k), the Board recommended that UNFPA make every effort to recover the overpayment of up to $1.8 million from the contractors once its final value has been verified.**

373. The actual amount of the overpayment is still to be verified. UNFPA will, upon the advice of its legal adviser, make every effort to recover funds from concerned parties when the amount is established while it continues to pursue due process in disciplinary proceedings against involved staff. The Chief, Administrative Branch, is currently conducting an on-site review. He is expected to submit a report by the end of September 2000.

374. **In paragraph 15, the Board recommended that UNFPA disclose in the financial statements the value and basis of valuation for end-of-service benefits and post-retirement benefits.**

375. The Chief, Finance Branch, is examining the implications for data collection and computerization. UNFPA will disclose the information in a note to the financial statements for the biennium 2000-2001.

376. **In paragraph 17, the Board recommended that UNFPA ensure that it discloses the value of all non-expendable equipment in the notes to the financial statements.**

377. The primary responsibility for keeping records of the value of non-expendable equipment lies with the executing agencies. UNFPA country offices and the concerned divisions at headquarters are required to obtain the data from the executing agencies and to submit complete and accurate data to the Division for Finance, Administration and Management Information Systems. The Chief, Finance Branch, monitors the overall compliance of all parties.

378. The accuracy and completeness of the information, however, are ascertained by the country offices in their review of the information submitted by governments and NGOs. To ensure follow-up action, the Division will be cooperating with the geographic divisions and the country offices to ensure data accuracy and completeness. A year-end circular will be issued to country offices and the geographic divisions reiterating the reporting requirements.

379. UNFPA had planned to disclose the information in a note to the financial statements for the biennium 1998-1999 but the data collection and verification process proved to be more complex than expected. As such the Chief, Finance Branch, plans to disclose the information for the biennium 2000-2001. To optimize the accuracy of recording, the Chief, Finance Branch, will review the policy regarding timing of the transfer of project equipment to the executing agencies.

380. **In paragraph 33, the Board recommended that, as the advance reserve for field accommodation has remained outstanding for six years, UNFPA take action to bring the matter to a conclusion.**

381. UNFPA is still awaiting information from UNDP on the correct share of UNFPA in the construction costs related to common premises. In February 1999, UNFPA, along with UNICEF and the World Food Programme (WFP), wrote a joint letter to UNDP, based on input from WFP legal counsel, stating that the three agencies were not under any legal obligation to contribute to the financing of the cost overrun of the projects. UNFPA will again write formally to UNDP stating that it would like to receive information on its legitimate share of the costs to enable the Fund to close the accounts, which continue to show $1 million paid to UNDP as an advance. The Fund will explicitly state in its letter to UNDP that if it does not receive the requested information by 30 November 2000, it will request from UNDP a refund of $1 million paid in 1994.

382. **In paragraph 55, the Board recommended that UNFPA establish a management information system for controlling advances to projects.**

383. Strict requirements regarding the conditions for paying and controlling advances are set forth in the UNFPA Finance Manual. UNFPA representatives and programme managers at headquarters are responsible for ensuring that these procedures are implemented. The Director, Division for Finance, Administration and Management Information Systems, will monitor compliance with the procedures.

384. Periodically, the Finance Branch will provide the Executive Committee with a list of offices that are

deficient in complying with UNFPA financial regulations, rules and procedures in regard to the timely receipt of disbursement reports and the over-advancing of funds. Appropriate action will be taken based on the Executive Director's memo, dated 29 January 1999, on personal accountability. The Division for Finance, Administration and Management Information Systems has already introduced, in the Integrated Field Office System, a warning message when the advance exceeds the quarterly limit for a project based on the current allocation.

385. **In paragraph 57, the Board recommended that UNFPA not make advances before all parties have signed the project documents.**

386. UNFPA agrees with this recommendation. UNFPA representatives and the directors of the concerned divisions at headquarters are responsible for ensuring that no disbursements or financial commitments are made before all parties have signed the project documents. UNFPA will strictly enforce accountability rule 103.2, which states that all officials of UNFPA are responsible for the regularity of action taken by them in the course of their official duties. Any staff member who takes any action in violation of the Fund's procedures will be held personally responsible.

387. **In paragraph 59, the Board recommended that in all cases UNFPA ensure that agencies submit final project reports or suitable alternatives.**

388. UNFPA programme guidelines require that executing agencies submit a final project report. UNFPA is committed to strictly enforcing this requirement. UNFPA representatives and the directors of concerned divisions at headquarters will be requested to withhold new allocations of cash disbursements for other ongoing projects executed by the same agencies pending the receipt of outstanding final project reports.

389. **In paragraph 81, the Board recommended that UNFPA remind country offices of the need to include construction contracts in the procurement statistics that they submit to headquarters.**

390. UNFPA concurs with this recommendation and has implemented it. The 1999 procurement statistics include construction contracts.

391. UNFPA would like to point out that in the case cited in paragraph 87, the Deputy Executive Director (Policy and Administration) approved, on an exceptional basis, the UNFPA representative's request to the Executive Director for a waiver of the 30 per cent/$3 million cap.

Follow-up action taken to implement outstanding recommendations made in the report of the Board of Auditors for the biennium ended 31 December 1997[12]

392. **The Board recommended that UNFPA show the value of contributions in kind in a note to the financial statements.**

393. The Chief, Finance Branch, is examining the requirements for collecting information on contributions in kind, assigning a value to such contributions and reporting on this information.

394. UNFPA had intended to disclose the information in a note to the financial statements for the biennium 1998-1999, but the data collection proved to be more complex than expected. As such, the Chief, Finance Branch, plans to disclose the information for the biennium 2000-2001.

J. United Nations Habitat and Human Settlements Foundation

395. The action taken or to be taken to implement the recommendations of the Board of Auditors in the report on the accounts of the United Nations Habitat and Human Settlements Foundation for the biennium ended 31 December 1999[13] are set out below.

396. **In paragraph 11 (a), the Board recommended that the Administration disclose accounts receivable and accounts payable in gross rather than net terms in accordance with the United Nations accounting standards.**

397. The United Nations Office at Nairobi fully accepts that accounts receivable and accounts payable will be reported in gross rather than net terms and will ensure that this will be complied with in all future accounting statements.

398. The responsibility for implementing this recommendation lies with the Chief, Financial Resources Management Service, United Nations Office at Nairobi.

399. With regard to paragraph 13 of the Board's report, the United Nations Office at Nairobi has

requested the United Nations Centre for Human Settlements (Habitat) to make the following comment: "It should be noted that for receivables the negative balances of $294,264 relate to all sources of funds, including regular budget and technical cooperation funds, for Habitat and that the negative balances relating to the Foundation and relevant to statement II to be added to the disclosed balance of $735,660 total $75,340. For payables, the negative balances of $248,501 also include all sources of funds for Habitat, and the negative balances for the Foundation and relevant to statement II to be added to the disclosed balance of $689,663 total $58,927."

400. **In paragraph 11 (b), the Board recommended that the Administration apply strict expenditure control over each trust fund and project to ensure that expenditures do not exceed the authorized limits of allotment in accordance with existing rules.**

401. Habitat, in close collaboration with the United Nations Office at Nairobi, is improving its project monitoring system, which will provide to programme managers and project management officers online and up-to-date information on income, budgets and expenditures for each trust fund and project. At the same time, monthly summary reporting formats have been designed to enable senior managers to monitor the financial situation of trust funds and projects more easily. The project monitoring system and related reporting formats are already operational and further enhancements are at hand.

402. The implementation of this recommendation is the joint responsibility of the Director, Programme Support Division, Habitat, and the Chief, Financial Resources Management Service, United Nations Office at Nairobi.

403. **In paragraph 11 (c), the Board recommended that the Administration comply fully with the comprehensive guidelines for use of consultants, as accepted by the General Assembly.**

404. Habitat continues to be committed to ensuring that the selection of consultants is done on a competitive basis and in accordance with established United Nations guidelines. At the initiative of the Human Resources Management Service all programme managers have been provided with administrative instruction ST/AI/1999/7 on the use of consultants and individual contractors and have been reminded that they should be strictly enforced.

405. This recommendation is implemented with immediate effect and is the joint responsibility of the Director, Programme Support Division, Habitat, and the Chief, Human Resources Management Service, United Nations Office at Nairobi.

406. **In paragraph 11 (d), the Board recommended that the roster of consultants be updated to facilitate their inclusion in the computerized central roster being developed by the United Nations Office at Nairobi.**

407. Habitat is currently in the process of updating its roster of consultants in order to make it more usable and comprehensive. Discussions are under way with the United Nations Office at Nairobi to make the Habitat roster compatible with the roster used by the Office. Financial and staffing constraints, in both the Office and Habitat, will make it difficult to implement the second part of the recommendation with immediate effect, particularly with regard to maintenance of the roster, but every effort is being made to implement this recommendation as soon as the required additional resources have been identified.

408. The responsibility for implementing this recommendation lies with the Director, Programme Support Division, Habitat, and the Chief, Human Resources Management Service, United Nations Office at Nairobi.

K. Fund of the United Nations International Drug Control Programme

409. The action taken or to be taken to implement the recommendations of the Board of Auditors in the report on the accounts of the Fund of UNDCP for the biennium ended 31 December 1999[14] are set out below.

410. **In paragraph 11 (a), the Board recommended that, in compliance with the United Nations accounting standards, UNDCP disclose in the notes to the financial statements the value and method of valuation of liability for end-of-service benefits, post-retirement benefits and annual leave.**

411. UNDCP will coordinate with the Human Resources Management Section and the Finance and Budget Section of the United Nations Office at Vienna in obtaining information on the entitlements of UNDCP staff members and in computing the monetary

value of such entitlements. It is expected that such contingent liabilities will be quantified and included in the notes to the financial statements for the biennium 2000-2001.

412. The responsibility for implementing this recommendation lies with the Chief, Programme Support Service, UNDCP.

413. **In paragraph 11 (b), the Board recommended that UNDCP strengthen its efforts to encourage UNDP to secure the necessary audit reports for nationally executed projects and, where appropriate, extend the arrangements whereby nationally executed projects are audited by local accountancy firms. Furthermore, in paragraph 11 (c), the Board recommended that UNDCP follow up, in liaison with UNDP, all audit reports outstanding in respect of the bienniums 1996-1997 and 1998-1999.**

414. UNDCP did not follow up on audit reports on nationally executed expenditures in 1996-1997 because it concentrated its efforts on trying to obtain from UNDP certificates for 1998-1999. As the Board itself notes, very limited success was achieved by UNDP for 1998-1999. Moreover, UNDCP considered it prudent to concentrate its limited resources on obtaining audit certificates through commercial firms for 1998-1999 only. UNDCP requests that the Board reconsider its position as to whether it requires certificates prior to 1998-1999 because logically that would mean going back to the inception of the programme in 1991. UNDCP therefore submits that 1998-1999 be used as a cut-off point on this issue. As indicated in the audit report, UNDCP has been following up closely with UNDP and has also engaged local accountancy firms to ensure that outstanding audit certificates are submitted. As at 30 June 2000, UNDCP had obtained audit clearance for $4.1 million in such expenditures in 1998-1999 with audits under way to cover a further $11.6 million. Thus it is expected that nearly 86 per cent of the $18.3 million in expenditures for nationally executed projects in 1998-1999 will be covered by audit reports obtained in the course of 2000. This will mark a significant improvement in following up this recommendation, with the problem being mainly one of timing.

415. The responsibility for the continuing implementation of the above recommendations lies with the Chief, Programme Support Service.

416. **In paragraph 11 (d), the Board recommended that UNDCP ensure that bank reconciliations are regularly and promptly undertaken both at headquarters and in field offices and that long-outstanding items are investigated.**

417. Monthly bank reconciliation statements are prepared as soon as bank statements are received by UNDCP. The deposit of $63,000 that had appeared as a reconciling item for 15 months was the subject of a long exchange of communications among several offices. At the time the amount was deposited, there was not enough information available to establish that the contribution was indeed for UNDCP. The lengthy process of verifying the source and the purpose of the contribution caused it to remain an outstanding item for an unusually long time. As noted in paragraph 25 of the Board's report, UNDCP has already taken action to correct the omission of $762,000, and in future it will capture such local field transactions in the general ledger. It should be stressed that both those amounts were exceptional sums, and that they have been fully accounted for.

418. The responsibility for bank reconciliation lies with the Chief, Programme Support Service.

419. **In paragraph 11 (e), the Board recommended that UNDCP assist those Governments that are without national drug master plans or their equivalent to produce plans as soon as possible identifying and prioritizing specific drug-related problems and establishing a course of action at the government level to address them.**

420. The audit report stated that while 11 of the 20 countries where UNDCP has an office had prepared national drug master plans, six other countries where UNDCP has established offices long enough to have assisted the respective Governments in preparing such plans have not done so. It should be mentioned that most of the six countries have national drug control master plans, which were prepared with UNDCP assistance and involvement. Mexico has a national drug control plan (1994-2000) of very high quality. Mexico is also signatory to a subregional memorandum of understanding on drug control cooperation (1996, updated in 1999) linking Mexico and seven Central American republics. Barbados and other Caribbean countries have an internationally recognized document fully equivalent to a national drug plan, namely, the 1996 Barbados Plan of Action covering national

policies and priorities in all drug control fields. The Barbados Plan of Action is the political and planning tool used by UNDCP and other bilateral donors for the funding of projects. Likewise, Nigeria and Senegal have national drug control master plans, while Thailand has a national narcotics control plan (1997-2001).

421. UNDCP continues to assist Governments in this area, and the responsibility for the continued implementation of the recommendation belongs to the Chief, Operations Branch.

422. **In paragraph 11 (f), the Board recommended that UNDCP develop central guidance on planning that sets out clear standards and promotes greater consistency and comparability between planning documents.**

423. While UNDCP agrees with the Board that a common planning format would promote greater consistency and comparability, flexibility in the design of plans specific to regional needs should not be overlooked. As an example, the UNDCP Caribbean Coordination Mechanism, a multi-donor project specifically designed to monitor the implementation of the Barbados Plan of Action, produces regular in-depth analysis of drug control problems, as well as of technical capacities and needs.

424. UNDCP will continue to strive towards better standardization of planning documents with due consideration of specific regional/country needs.

425. The responsibility for implementing this recommendation lies with the Director, Division for Operations and Analysis.

426. **In paragraph 11 (g), the Board recommended that UNDCP ensure that all future annual reports provide an analysis of actual results and outputs compared with the objectives set out in the relevant country or regional plans.**

427. UNDCP concurs with this recommendation. The reorganization of the Programme's technical cooperation work into four thematic areas will facilitate improved programme planning, management and performance monitoring and evaluation. Relating actual results and outputs to funds and inputs will be facilitated by the implementation of the new integrated project and financial system (Profi).

428. The responsibility for implementing this lies with the Director, Division for Operations and Analysis.

429. **In paragraph 11 (h), the Board recommended that UNDCP coordinate its procurement activities with the aim of concentrating procurement into fewer agencies, thereby benefiting from economies of scale.**

430. The Board's recommendation is welcomed. However, it should be noted that the procurement statistics shown in the table in paragraph 50 of the Board's report do not fully reflect the fact that the United Nations Office for Project Services has procured a substantial portion of goods and services for UNDCP projects, being the second largest executing agency for UNDCP, but has not so far provided procurement statistics that UNDCP requests from it annually. Furthermore, UNDCP must recognize the operational reality of having to work through different executing agencies that are sometimes best placed to carry out procurement themselves. Other cost-benefit factors such as programme support costs must also be considered in conjunction with economies of scale when selecting procurement agencies. Nevertheless, UNDCP recognizes the merit in the Board's recommendation and will implement it as far as is practicable.

431. The responsibility for implementing this recommendation lies with the Chief, Operations Branch.

432. **In paragraph 11 (i), the Board recommended that UNDCP require departments to prepare procurement plans for submission to the relevant procurement units.**

433. UNDCP concurs with this recommendation.

434. The responsibility for implementing this recommendation lies with the relevant programme managers in the Operations Branch and the Public Policy and Analysis Branch.

435. **In paragraph 11 (j), the Board recommended that UNDCP issue clear guidelines to field offices on the procurement procedures to be followed and the delegated limits that apply.**

436. UNDCP concurs with this recommendation. Field offices have already been clearly instructed to comply with relevant UNDP rules and regulations. Copies of UNDCP financial rules and relevant United Nations

financial and procurement rules and manuals have been sent to each field office.

437. The responsibility for implementing this recommendation lies with the Chief, Programme Support Service.

438. **In paragraph 11 (k), the Board recommended that UNDCP work with the United Nations Office at Vienna to draw up an agreement with it specifying the level and quality of all services provided, including procurement.**

439. UNDCP concurs with this recommendation, which will be implemented after the approval of a service-level agreement by the Executive Director/Director General and the sanctioning of an appropriate amount in the budget for the biennium 2002-2003.

440. The responsibility for implementing this recommendation lies with the Chief, Programme Support Service and the Chief of Finance and Budget, United Nations Office at Vienna.

441. **In paragraph 29, the Board recommended that UNDCP take follow-up action to clear long-outstanding advances totalling $345,713.**

442. UNDCP has been continuously following up with the concerned recipient agencies on the submission of the required certified expenditure reports, which would allow the Programme to clear the advances. The three cases mentioned in the Board's report are exceptions, of which one ($175,000) is subject to complicated legal implications that have been unresolved since 1993. UNDCP will closely follow up on clearing these advances within existing legal and operational constraints.

443. The responsibility for following up on this recommendation lies with the Chief, Operations Branch, and the Chief, Programme Support Service.

444. **In paragraph 31, the Board recommended that the new UNDCP accounting system capture field office expenditures on a more timely basis in order to improve overall monitoring of project expenditures.**

445. The new integrated financial and project management system, which is expected to be fully operational in early 2001, will use data from IMIS as well as from executing agencies and UNDCP field offices via a Web interface. This will ensure that the integrated general ledger will contain timely, complete, relevant and transparent information.

446. The responsibility for the implementation of the recommendation lies with the Director, Division for Operations and Analysis, and the Chief, Programme Support Service.

447. **In paragraph 33, the Board recommended that UNDCP ensure that all obsolete or untraceable items are presented promptly to the local Property Survey Board for write-off action.**

448. UNDCP concurs with this recommendation.

449. The responsibility for implementing this recommendation lies with the Chief, Programme Support Service.

L. United Nations Office for Project Services

450. The action taken or to be taken to implement the recommendations of the Board of Auditors in the report on the accounts of the United Nations Office for Project Services for the biennium ended 31 December 1999[15] are set out below.

451. **In paragraph 10 (a), the Board recommended that the United Nations Office for Project Services prepare a full inventory of its non-expendable equipment, both at headquarters and at its regional offices, with a view to providing a historic cost for its non-expendable equipment in the financial statements for the biennium 2000-2001.**

452. The United Nations Office for Project Services is in the process of preparing a full inventory of its non-expendable equipment across all its offices so as to comply with the United Nations accounting standards. This inventory will continue to be updated to meet appropriate management and reporting requirements. The target date for the completion of the inventory is 30 August 2001.

453. The responsibility for implementing this recommendation rests with the Assistant Director, Division for Finance, Budget and Administration (FBA).

454. **In paragraph 10 (b), the Board recommended that the Office conduct regular reviews, led by the Finance Section, of all unliquidated obligations and**

cancel those which cannot be substantiated or justified by budget holders.

455. Financial monitoring is conducted regularly and on a continuing basis by the staff concerned. Monthly expenditure reports are provided by the Finance and Budget Section to portfolio managers to facilitate the monthly review exercise. Adjustments, including amendments to unliquidated obligations, are made as appropriate. By its nature, this recommendation is being implemented on a continuing basis rather than being subject to specific start and end dates.

456. The responsibility for implementing this recommendation rests with the Assistant Director, Division for Finance, Budget and Administration.

457. **In paragraph 10 (c), the Board recommended that the Office establish the relationship between the priorities, objectives, activities and tasks included in the business plan and apply this consistently from year to year, providing a full explanation of any changes it makes.**

458. In keeping with the changing focus of the organization and new developments in its operating environment, the organizational priorities of the Office are subject to revision. Any changes will be fully explained in the business plan. The future standardization of unit business plans will ensure that consistency in the relationship between priorities, objectives, activities and tasks is applied throughout the organization.

459. The standard unit business plan templates introduced in 2000 will be reviewed and simplified for implementation in 2001. The relationship among organizational priorities, objectives, activities and tasks is an ongoing activity and will be reviewed as part of the 2001-2002 business planning process.

460. The responsibility for implementing this recommendation rests with the Assistant Director, Division for Business Development and Strategic Planning.

461. **In paragraph 10 (d), the Board recommended that the Office seek to ensure that all project documents contain measurable objectives.**

462. As a general remark, the Office would like to note that the Board's recommendations contained in paragraphs 54 to 57 and 62 are all directed at the project formulation and design stages, which are primarily responsibilities of the funding agencies and not the Office. However, the Office intends to institute the measures described hereunder.

463. The Office intends to continue its review of the Project Acceptance Committee process in order that projects meet the required quality standards for execution, which include ensuring, to the extent possible, that project documents contain measurable objectives.

464. By the end of 2000, the Director of Operations will issue a directive to all operations divisions to proactively request the funding agencies that use the services of the Office to include measurable objections within their project documents.

465. The responsibility for implementing this recommendation rests with the Deputy Executive Director of Operations.

466. **In paragraph 10 (e), the Board recommended that the Office seek to ensure that all project documents contain information on the overall project budget broken down by objective and sub-objective, as appropriate.**

467. The Project Acceptance Committee continues to analyse the reasonableness of proposed budgets in relation to project objectives and sub-objectives. Additionally, through periodic budget revisions, portfolio managers consistently seek to ensure that project budgets accurately reflect project expenditures and projections broken down by objective and sub-objective.

468. In line with the Board's recommendations, the Office will, on an ongoing basis, review the feasibility of more proactively assisting clients to improve their project documents.

469. The responsibility for implementing this recommendation rests with the Deputy Executive Director of Operations.

470. **In paragraph 33, the Board recommended that the Office review on a monthly basis the returns from imprest account holders and take immediate action to hasten any missing returns. The Board also recommended that the Office ensure that it promptly reconciles all the returns from imprest account holders to ensure that it effectively monitors expenditures disbursed in the field.**

471. The staff concerned were requested to exercise due diligence in carrying out timely examination and reconciliation of the accounts and follow up late submissions. Follow-up action was taken with respect to the imprest holders to ensure that expenditures disbursed in the field were effectively monitored. By its nature, this recommendation is being implemented on a continuing basis rather than being subject to specific start and end dates.

472. The responsibility for implementing this recommendation rests with the Assistant Director, Division for Finance, Budget and Administration.

473. **In paragraph 40, the Board recommended that the Office provide an explanation for any targets that it discontinues or amends in order to provide continuity to the business planning process.**

474. Any amendments to or discontinuation of financial or non-financial targets will be clearly reported and explained in business plans.

475. All financial and non-financial targets will be reviewed, and any changes will be introduced in the first quarter of 2001 and reported in the business plan for the biennium 2001-2002.

476. The responsibility for implementing this recommendation rests with the Assistant Director, Division for Business Development and Strategic Planning.

477. **In paragraph 45, the Board recommended that, where appropriate, the Office disclose performance information in its business plan.**

478. The Office undertakes a bottom-up planning process that is synchronized with the budget preparation process. There is a close relationship between short-term objectives and overarching organizational priorities. The former will be reviewed more frequently than the latter in order to ensure that there is progress towards meeting organizational priorities. The Office established its first monitoring mechanism in 1999, which included detailed performance measurements at the unit level and timetables for achieving organizational priorities. The Office will renew its focus on capturing performance results and will report high-level results in its business plan.

479. The criteria for performance indicators will be introduced in standardized unit business plans in the first quarter of 2001. Performance indicators for high-level performance results will be reviewed in 2001.

480. The responsibility for implementing this recommendation rests with the Assistant Director, Division for Business Development and Strategic Planning.

481. **In paragraph 56, the Board recommended that, before signing project documents or management services agreements, the Office ensure that the donor includes details of the project's proposed monitoring regime.**

482. The Office regularly advises clients to define the details of the monitoring regime to be applied to an individual project prior to signing the respective project document. As the Board has noted, this is the usual case, and such details are normally contained in the reporting section of the project document, which should also indicate any deviation from the standard set of reports and review meetings. The level of detail and accuracy provided in this reporting section is a key instrument for the client to use in measuring the achievement of project objectives.

483. By the end of 2000, the Director of Operations will issue a directive to all operations divisions to request the funding agencies using the services of the Office to ensure that they include details of the project's proposed monitoring regime. Additional effort will be made by the Office during the Project Acceptance Committee process to ensure adherence to this directive.

484. The responsibility for implementing this recommendation rests with the Deputy Executive Director of Operations.

485. **In paragraph 57, the Board recommended that the Office endeavour to ensure that each project document and management services agreement outlines the risks to the project's delivery.**

486. The Office concurs that the risks related to effective delivery of a project should be carefully considered by the funding agency during project formulation. In addition, it will continue to assess implementation related to policy, legal issues, finance and so on during the Project Acceptance Committee process.

487. By the end of 2000, the Director of Operations will issue a specific directive to all operations divisions

to request the funding agencies using the services of the Office to ensure that they include details of the project's risks.

488. The responsibility for implementing this recommendation rests with the Deputy Executive Director of Operations.

489. **In paragraph 62, the Board recommended that the Office endeavour to strengthen the range of performance indicators included in project documents to allow progress against objectives and sub-objectives to be quantified and reviewed as fully as possible.**

490. Substantive review of the progress of project implementation is currently conducted through regular reporting, monitoring missions and the project performance evaluation report and tripartite review process. The Office believes that strengthening this review process is the appropriate way to develop monitoring of the project implementation progress.

491. The Director of Operations will issue a specific directive to all operations divisions by the end of 2000 to request the funding agencies using the services of the Office to ensure that they strengthen the range of performance indicators included in the project documents.

492. The responsibility for implementing this recommendation rests with the Deputy Executive Director of Operations.

493. **In paragraph 65, the Board recommended that the Office work with funding organizations to undertake periodic project performance evaluation reports and tripartite reviews for all projects.**

494. The Office continues to stress the need for regular project performance evaluation reports and tripartite reviews so as to document the progress being made by projects. Based on its experiences to date, the Office notes that irrespective of how persistently UNOPS portfolio managers pursue this matter, the result will not be positive unless the concerned funding agencies also share the need for such regular review.

495. The Director of Operations will advise the operations divisions to consistently participate in project performance evaluation reporting and tripartite review exercises for major projects for which the Office is the executing agency.

496. The responsibility for implementing this recommendation rests with the Deputy Executive Director of Operations.

497. **In paragraph 85, the Board recommended that in future the Office seek to avoid the proportional remuneration of lead contractors as a contract mechanism and seek to include penalty clauses for late delivery.**

498. The Office routinely employs best practices to avoid the proportional remuneration of lead contractors as a contract mechanism and to include penalty clauses for late delivery. Those principles are promoted in procurement training and are incorporated in standard contract and purchase documents. The appropriate application of these principles and any exceptions to them are under the purview of the Chief Procurement Officer.

499. The case that has given rise to the Auditors' recommendation is the relocation of the headquarters of the Office. In the tight New York construction market of 1999, and following a review of the advice of local real estate and construction professionals, it was determined by the Chief, Procurement Officer (on the basis of a review by the Procurement Review and Advisory Committee), that it was not possible to apply standard best practices in this regard.

500. As this recommendation derives from an exceptional case and one having no impact on the fully implemented standard procurement practices of the Office, the recommendation requires no further implementation and, accordingly, there is no officer responsible for such implementation.

M. International Criminal Tribunal for Rwanda

501. The action taken or to be taken by the Tribunal to implement the recommendations of the Board of Auditors in its report for the biennium 1998-1999[16] are set out below.

502. **In paragraph 11 (a), the Board recommended that the Tribunal, as well as the Administration, take action to ensure the timely submission of financial reports and consolidated accounts.**

503. The Tribunal has taken note of the recommendation concerning delays in the submission of accounts to Headquarters, which can be attributed

primarily to frequent power outages, shortage of support staff, computer system failure and the staff exercising their accrued annual leave, home leave, maternity leave and so on. The Tribunal has already brought the accounts up to date and fully complied with the deadline for reporting the interim financial statements as at 30 June 2000. It will exert all efforts in future to adhere to mid-month deadlines for reporting field accounts to Headquarters.

504. **In paragraph 11 (b), the Board recommended that the Tribunal ensure full compliance with established procedures, which do not permit the use of miscellaneous obligating documents to reserve credits for travel and the purchase of goods and services.**

505. The Tribunal concurs with the audit recommendation to adhere to established procedures governing the use of miscellaneous obligating documents and will seek the Controller's prior approval should the need arise in future to reserve credits against those documents.

506. **In paragraph 11 (c), the Board recommended that the Tribunal establish an authorized imprest level for the Office of the Prosecutor and not make additional advances unless previous advances have been accounted for.**

507. The $30,000 imprest level for the Prosecutor's Office had actually been approved by the Controller as at 19 May 2000. However, owing to urgent operational requirements covering approximately eight separate missions to Africa, Europe and North America, an additional ad hoc imprest of $100,000 was approved by the Registrar. A disbursements report has now been submitted and is under review in conjunction with the relevant missions carried out by various investigation teams. In the meantime, the Tribunal agrees with the audit recommendation not to approve further advances until the disbursements report confirms clearance of all outstanding advances.

508. **In paragraph 11 (d), the Board recommended that the Tribunal keep the relevant registration information on vendors and regularly carry out the required periodic evaluation of the performance of suppliers.**

509. The Tribunal accepts the audit recommendation and is in the process of implementing it. Full implementation is expected before 31 December 2000.

510. The Chief Programme Officer is responsible for implementation of this recommendation.

511. **In paragraph 11 (e), the Board recommended that the Tribunal enforce the terms of the contract for travel agent services and take steps to recover all amounts due from the travel agent.**

512. The audit recommendation will be implemented fully as per the provision of travel agent services agreement, including future enforcement of the terms of the contract for travel agent services.

513. **In paragraph 19, the Board recommended that the Finance and Budget Sections of the Tribunal carry out monthly reconciliation of expenditure statements to facilitate accurate financial reporting.**

514. The Tribunal updated its reconciliation of expenditure statements with the headquarters figure as at 31 May 2000.

515. **In paragraph 32, the Board recommended that the Administration disclose in the notes to the financial statements the value of non-expendable property pending write-off decisions.**

516. The Tribunal will comply fully with this recommendation as from the year-end statements for 2000.

517. **In paragraph 39, the Board recommended that the Tribunal take action to recover the appropriate cleaning and maintenance costs from the lessor and request a revision in the rent payable.**

518. While the Tribunal does not dispute the views of the Auditors regarding recovery of a portion of cleaning service costs from the Arusha International Conference Centre, it wishes to reiterate that this service was not requested by the Tribunal owing to security concerns. It should, on the other hand, be understood that, as the Centre hired their cleaners to service not only the Tribunal but all three complexes, it was considered unfair for the Tribunal to request that the Centre provide credits equivalent to that service. This is why the Tribunal decided to forgo the cleaning services. However, should the Tribunal be required to recover the corresponding actual salaries the Centre would have paid to its staff, it would appreciate being advised on how the Board of Auditors arrived at the figure of $133,424.08.

N. International Tribunal for the Former Yugoslavia

519. The action taken or to be taken by the International Tribunal for the Former Yugoslavia to implement the recommendations of the Board of Auditors in its report for the biennium 1998-1999[17] are set out below.

520. **In paragraph 10 (a), the Board recommended that the Tribunal disclose in its financial statements the liabilities for end-of-service benefits, post-retirement benefits and annual leave, in compliance with the United Nations accounting standards.**

521. Until the decision of the General Assembly to publish separate financial statements for the International Tribunal for the Former Yugoslavia, the Tribunal's accounts were incorporated into the United Nations accounts and the items in question were calculated by and included in those accounts. The Assembly's decision to separate the Tribunal's accounts from those of the United Nations and to publish them in a separate volume was communicated to the Tribunal only on 26 January 2000. In view of the late date of this decision, the Tribunal was not in a position to furnish the additional information required in time.

522. The Tribunal is now aware of the new reporting requirements and will provide all of the required information in compliance with the United Nations accounting standards.

523. The responsibility for overseeing the implementation of this recommendation lies with the Chief Administrative Officer.

524. **In paragraph 10 (b), the Board recommended that the Tribunal review its procedures for planning the use of courtrooms to ensure effective use of the available facilities.**

525. The issue of courtroom usage is a complex one that defies easy analysis based purely on the basis of numbers. Courtroom use is also not necessarily an accurate reflection of the workload of the Tribunal. There are a multitude of factors, ranging from witnesses who are unable to appear as scheduled for health reasons or because of travel delays to adjournments requested by various parties, which are beyond the Tribunal's control but which result in an unused courtroom. It should also be understood that when a courtroom is not in use, the staff involved perform other required tasks.

526. A major factor in this matter is the limited number of judges in the Tribunal. The need for judges to research and draft their decisions and judgements, the requirement for trial chambers to hear multiple cases and the need for judges to contemporaneously sit in appeal cases all contribute to the phenomenon of unused courtrooms, as illustrated in the report of the President to the Secretary-General dated 12 May 2000.

527. This having been said, the Tribunal has made efforts, to the extent possible, to maximize its use of the courtrooms. In addition, the Tribunal has requested funding in the 2001 budget to establish two additional trial chambers, which would considerably alleviate many of the problems mentioned above.

528. The responsibility for overseeing the implementation of this recommendation lies with the Deputy Registrar.

529. **In paragraph 10 (c), the Board recommended that the Tribunal review its legal aid system with the aim of establishing tighter controls and limits over defence costs.**

530. The Tribunal's legal aid system has been reviewed in detail. A draft of substantial amendments of the directive on assignment of defence counsel has been prepared and is awaiting comments by the judges. The Registry practice related to legal aid, and in particular the practice regarding allotments of maximum working hours for defence teams, have also been reviewed, and a second amendment proposal has been circulated to the judges for their comments.

531. The implementation of both the directive and the related practice change can be expected to take effect during 2000, provided that no unforeseen obstacles occur.

532. The responsibility for overseeing the implementation of this recommendation lies with the Deputy Registrar.

Notes

[1] *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 5* (A/55/5), vol. III, chap. II.

[2] Ibid., annex, paras. 10-12.

[3] Ibid., *Fifty-third Session, Supplement No. 5* (A/53/5), vol. III, chap. I.

[4] Ibid., *Fifty-fifth Session, Supplement No. 5* (A/55/5), vol. IV, chap. II.

[5] Ibid., *Supplement No. 5A* (A/55/5/Add.1), chap. II.

[6] Ibid., *Supplement No. 5B* (A/55/5/Add.2), chap. II.

[7] Ibid., *Supplement No. 5C* (A/55/5/Add.3), chap. II.

[8] Ibid., *Supplement No. 5D* (A/55/5/Add.4), chap. II.

[9] Ibid., *Supplement No. 5E* (A/55/5/Add.5), chap. I.

[10] Ibid., *Supplement No. 5F* (A/55/5/Add.6), chap. II.

[11] Ibid., *Supplement No. 5G* (A/55/5/Add.7), chap. II.

[12] Ibid., *Fifty-third Session, Supplement No. 5G* (A/53/5/Add.7), chap. II, para. 9 (a).

[13] Ibid., *Fifty-fifty Session, Supplement No. 5H* (A/55/5/Add.8), chap. II.

[14] Ibid., *Supplement No. 5I* (A/55/5/Add.9), chap. II.

[15] Ibid., *Supplement No. 5J* (A/55/5/Add.10), chap. I.

[16] Ibid., *Supplement No. 5K* (A/55/5/Add.11), chap. II.

[17] Ibid., *Supplement No. 5L* (A/55/5/Add.12), chap. II.

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Globalization and interdependence

The role of the United Nations in promoting development in the context of globalization and interdependence

Report of the Secretary-General*

Summary

The recognition of the pivotal role of information and communication technologies (ICT) in the emerging global knowledge-based economy is reflected in a series of documents, events and activities undertaken in the United Nations during 2000 geared towards effectively harnessing the potential of ICT for advancing development. These undertakings highlighted the unique potential of the United Nations system for bringing ICT to the service of development for all, set out the Organization's priorities in this regard, and launched a process of a more active and effective involvement of the United Nations, in particular in providing leadership at the international level, complementing the market and thus facilitating the flow of technology, especially ICT, and resources to where they are most needed.

The present report consists of three sections. Section I is an introduction. Section II focuses first on the need for the transfer of ICT in the age of globalization, as well as on some issues related to such transfer to developing countries. It then reviews efforts undertaken by the United Nations system in enhancing national capacity in the area of ICT. Finally, it presents a number of action-oriented recommendations on further promoting the role of the United Nations in the transfer of ICT to developing countries. Emphasis is also placed on recommendations aimed at enhancing ICT components in regional and national capacity-building programmes of the United Nations system. Section III, prepared by the United Nations Conference on Trade and Development (UNCTAD), deals with promoting policy coherence, complementarity and coordination.

* The footnote requested by the General Assembly in resolution 54/248 was not included in the submission.

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I. Introduction

1. The broad theme of globalization and its challenges was addressed comprehensively by the General Assembly at its earlier sessions. During its fifty-third session, the Assembly held the first high-level dialogue on the theme of the social and economic impact of globlization and interdependence and their policy implications (see A/53/529). Political and economic developments since that first dialogue led to the Assembly's decision contained in resolution 53/169 to place the important issue of globalization in its agenda, and to address specifically the role of the Organization in promoting development in the context of globalization and interdependence, as well as the issue of promoting coherence, complementarity and coordination on economic and development issues at the global level in order to optimize the benefits and limit the negative consequences of globalization and interdependence. These two important components of the broad issue of globalization were examined in the report of the Secretary-General (A/54/358) and are again examined in the current report with the former component being discussed with a focus on information and communication technologies (ICT) and the latter component being addressed from a historical perspective.

2. At its fifty-fourth session, the General Assembly reiterated its serious concern related to globalization and its impact, in particular over the generally widening technological gap between the developed and developing countries, particularly in the area of information and communication technology which is shaping the contours of globalization (resolution 54/231).

3. The present report has been prepared in response to General Assembly resolution 54/231 entitled "Role of the United Nations in promoting development in the context of globalization and interdependence" in which the Assembly requested the Secretary-General to prepare a comprehensive report containing action-oriented recommendations on promoting further the role of the United Nations system in the transfer of ICT to developing countries and also on their role in promoting policy coherence, complementarity and coordination on economic, financial, trade, technology and development issues at the global level in order to optimize the benefits of globalization. The report was prepared with a contribution from the United Nations Conference on Trade and Development (UNCTAD), in particular as regards the section on coherence, complementarity and coordination, and in consultation with other relevant organizations of the United Nations system, in particular the regional commissions, the United Nations Office for Drug Control and Crime Prevention (UNODCCP), the United Nations Centre for Human Settlements (Habitat), the United Nations Environment Programme (UNEP), the United Nations Development Programme (UNDP), UNCTAD, the International Telecommunication Union (ITU), the World Health Organization (WHO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the International Labour Organization (ILO), the International Civil Aviation Organization (ICAO), the International Maritime Organization (IMO), the World Intellectual Property Organization (WIPO), the Food and Agriculture Organization of the United Nations (FAO), the World Bank and the Universal Postal Union (UPU).

4. In the same resolution, the Secretary-General was requested to convene a meeting of a high-level panel of experts on ICT and to prepare a report containing recommendations on the role of the United Nations in enhancing the integration of developing countries in the emerging global information network, facilitating access for developing countries to ICT, including on preferential and concessional terms, where appropriate, and promoting the participation of developing countries, including through infrastructure facilities, in knowledge-intensive sectors of the global economy. Such a meeting was convened from 17 to 20 April 2000 at Headquarters and the report thereof was subsequently issued in document A/55/75-E/2000/55.

5. The recognition of the pivotal role of ICT in the emerging global knowledge-based economy is reflected in a series of documents, events and activities undertaken in the United Nations during 2000 geared to effectively harnessing the potential of ICT for advancing development. The role of ICT in development was prominently discussed in the Secretary-General's report "We the peoples: the role of the United Nations in the twenty-first century" (A/54/2000), submitted to the Millennium Assembly of the United Nations. A series of panel discussions and key-note addresses were organized in the lead-up to the substantive session of 2000 of the Economic and Social Council. The 2000 high-level segment of the Council addressed the theme of "Development and international

cooperation in the twenty-first century: the role of information technology in the context of a knowledge-based global economy", following which the Council adopted a ministerial declaration (E/2000/L.9)[1] and a follow-up resolution on the establishment of an ICT task force (Council resolution 2000/29). It is noteworthy that the Council's high-level segment attracted the participation of a significant number of chief executive officers (CEOs), heads of multilateral organizations, representatives of non-governmental organizations and academic experts. These undertakings highlighted the unique potential of the United Nations system for bringing ICT to the service of development for all, served to sharpen the Organization's priorities in this regard, and launched a process of a more active and effective involvement of the United Nations by initiating, inter alia, an ICT task force.

6. This report builds upon the analysis and recommendations contained in the Secretary-General's report to the high-level segment of the Economic and Social Council (E/2000/52) which explored in depth the developmental impact of ICT in the context of globalization and interdependence. The present report consists of the present introduction and two subsequent sections. Section II focuses first on the need for the transfer of ICT in the age of globalization, as well as on some issues related to such transfer to developing countries. It then reviews efforts undertaken by the United Nations system in enhancing national capacity in the area of ICT. Finally, it presents a number of action-oriented recommendations on further promoting the role of the United Nations in the transfer of ICT to developing countries. Emphasis is also placed on recommendations aimed at enhancing ICT components in regional and national capacity-building programmes of the United Nations system. Section III, prepared by UNCTAD, deals with promoting policy coherence, complementarity and coordination.

II. The importance and the current state of information and communication technologies (ICT) transfer

7. The current phase of globalization is characterized by the fact that knowledge has become a source of competitive advantage and is increasingly embedded within the production process itself. The new economy thrives on knowledge and continuous innovation, thus enhancing the value and role of information within the economic enterprise. ICT that enable the information and knowledge flows of the new economy increasingly represent the indispensable infrastructure for a whole range of economic activities. Success in the emerging global networked economy is increasingly predicated on adequate access to and effective use of ICT. Access to ICT, because of their decisive role in the new economy, is critical for developing countries.

8. For developing countries, the emergence of a global knowledge-based economy should in principle be good news: as the power/price ratio of information equipment continues to rise, and as the unit cost of transferring information across borders keeps diminishing, opportunities to "catch up" are unprecedented. The portability, flexibility and affordability of such new technologies make it possible for small and medium-sized enterprises (SMEs) in developing countries to become worldwide operators. However, these bright perspectives are often clouded by the persistence of long-standing handicaps, such as lack of infrastructure or inadequate education, and the emergence of new challenges, leading to concerns that the positive effects of the new economy are confined to the advanced side of the digital divide. Currently, the emerging new economy affects everybody, but it does not include everybody.

9. The urgency of overcoming this exclusion has been underscored by recent resolutions and declarations of the international community such as the Declaration of the South Summit (A/55/74, annex I) and the Havana Programme of Action (A/55/74, annex II) adopted at the South Summit held in Havana in April 2000, the ministerial declaration and resolutions adopted by the Economic and Social Council at its substantive session of 2000 in July 2000 and the Okinawa Charter on the Global Information Society[2] adopted at the Group of Eight (G-8) summit in late July 2000. These declarations and resolutions call for urgent action to bridge the "digital divide" and propose some form of institutional mechanisms to enable concerted and coordinated action.

10. Particularly noteworthy in this regard were the conclusions of the meeting of the high-level panel of experts on ICT convened by the Secretary-General from 17 to 20 April 2000 in New York which reviewed

the current status of ICT use for development. It identified areas and proposed actions to be taken by the international community, in particular the United Nations, to support national ICT programmes. The panel of experts concluded that the global challenge of bridging the digital divide, and ensuring that the benefits of ICT were fully used for the benefit of development, required a global response. It highlighted the instrumental role to be assumed by the United Nations in assisting developing countries in evaluating challenges and options in this area. It called for the development and launching of an international ICT action plan with the overall target of bringing connectivity to all communities by the end of 2004, and suggested policy actions as well as development initiatives to achieve this target. The panel recommended the creation of an ICT task force which, under the leadership of the Secretary-General, would bring together multilateral development institutions, private industry, foundations and trusts.

11. A recurrent theme in most of these gatherings was the acknowledgement that action to bridge the digital divide must be taken on many fronts and include human and institutional capacity-building efforts, and transfer of technology, as well as the development of a conducive policy environment. The benefits of the new global knowledge-based economy will not accrue to countries with inadequate national information and communications infrastructure that must, moreover, be connected to, and interoperable with, global information infrastructures. However, connectivity is a necessary, but not sufficient condition for optimization by developing countries of the benefits of the new economy. Individual and institutional capabilities are also critical and need to be a component of any technology transfer strategy from developed to developing countries.

12. ICT-related issues can no longer be posed in traditional transfer-of-technology terms, but rather need to be seen in terms of access to, and use of, ICT. This point was stressed by the African Development Forum '99 entitled "The challenge to Africa of globalization and the information age" which took a broad view of ICT and their role in African development. In its approach, also reflected in other regional events, the Forum recognized that the technologies were less important than the information to which they provided access and the communications that they supported. The ministerial declaration adopted by the Economic and Social Council in July 2000 concluded that unless access to and use of ICT are broadened, the majority of people, particularly in developing countries, will not enjoy the benefits of the new knowledge-based economy. The major impediments to the participation of that majority include lack of infrastructure, education, capacity-building, investment and connectivity.

13. Still, with ICT, possibilities and conditions exist that allow for leapfrogging of stages of technology in favour of the most up-to-date and advanced solutions. Many recent technological innovations, such as Very Small Aperture Terminal (VSAT) and Low Earth Orbiting (LEO) satellite systems, can make telecommunication services more reliable and cheaper to provide in most developing countries. For many of these countries, however, especially the least developed countries, the completion of the requisite basic infrastructure development is a considerable and daunting task involving huge investments. This is clearly beyond the capacity of many developing countries and countries with economies in transition. Innovative approaches to funding, including by the international community, the private sector and civil society, are necessary to ensure that ICT that are critical to the beneficial integration of developing countries and countries with economies in transition into the new networked global economy are transferred to them.

14. Thus, while technology and resources are potentially available for addressing existing problems of access and connectivity, they often do not reach the areas of greatest need. Lack of basic human and physical infrastructure, and limited prospects of returns on private capital are among the obstacles that need to be tackled to ensure broad-based access to and use of ICT.

15. A significant pool of private financial resources for funding ICT for development programmes is potentially available based on motives that go beyond short-term profit consideration. Long-term expansion of markets, philanthropy, desire of successful expatriates to "give back" to their countries of origin, and the realization that a growing digital divide is potentially disruptive of the long-term interests of all concerned, including the profit interest of private business, are among the motives that drive the growing attention to expanding ICT services for development, creating a considerable window of opportunity for

cooperation between the private sector and the United Nation system in pursuing universal access to ICT.

16. Since ICT is in general cheaper and can be introduced more quickly than is the case for development interventions in many other sectors, it seems justified that entities of the United Nations system have focused mainly on factors of access and use of ICT that restrict the growth of this sector, and less on the transfer of technologies in a traditional sense. The United Nations system offers technical assistance to developing countries and promotes the mobilization of material, human and financial resources needed to implement the goals of extending the benefits of the new ICT to all the world's inhabitants.

17. The United Nations system is cognizant of the fact that, in relation to development, the twin challenge is to fully exploit ICT, both as instruments of integrating developing countries and transition economies into the global knowledge-based economy, and as a means of enhancing competitiveness and growth in key sectors of national economies and thus advancing the goals of poverty eradication and sustainable human development. This cognizance is evidenced in the range of ICT-related issues that are being pursued by different parts of the system such as connectivity, access and content, intellectual property rights, e-commerce, telemedicine and health networks, distance education, privacy and security, cultural and heritage issues and others.

18. There is, however, a widespread perception that a plethora of uncoordinated mechanisms and channels involved in aid facilitation relating to ICT has so far produced limited results and their operations are seen as complex, cumbersome and slow. As a result, private finance is often discouraged in its search for modalities for its participation and, even more important, in obtaining information and guidance as to the priorities, needs, potential partners and facilitators, and opportunities for collaboration with other development actors.

19. The missing link is coordinated leadership at the international level to complement the markets and therefore facilitate the flow of technology, especially ICT, and resources to where they are most needed. The United Nations is uniquely placed to assume this role because of its universality and its global scope and focus. The decision by the Economic and Social Council to establish an ICT task force, under the leadership of the Secretary-General and with the participation of all relevant stakeholders, is expected to bring coherence and greater effectiveness to these efforts. The task force is a first step in ensuring that the United Nations will play a pivotal role by providing leadership, comprehensive vision and a viable and coherent strategy to bridge the digital divide and ensure universal access to ICT for development. It is expected to bring global visibility to this issue and focus all the partners on creating an environment conducive to technology-related private sector investments and long-term sustainable human development objectives.

A. Activities of the United Nations system in enhancing national capacity in the area of ICT

20. The spread of ICT is affecting many sectors of economic activities. While the impact of ICT on the globalization of financial markets has been amply demonstrated, such technologies are also increasingly shaping the operation of other sectors, and the role of Governments, including in cooperation with other stakeholders. Telecommunications and information infrastructure impacts on issues of trade, economic development and societal well-being, as well as law enforcement and national security. Technical guidelines, regulations and safety standards seek to ensure compatibility and reliability of signals and communications, and thus international cooperation. Global communications and the spread of ICT have, however, also facilitated transnational crime and cyber-crime.

21. The United Nations system is committed to pursuing cooperatively and in a more systematic manner the development of strategic approaches to the global information economy and society. This commitment, and strategic action for its achievement, were put forward in the Administrative Committee on Coordination (ACC) statement on universal access to basic communication and information services (A/52/354, annex) and further developed in the ACC statement to the Economic and Social Council at its 2000 high-level segment on ICT and development (E/2000/52, annex). The application of ICT for development by different entities of the United Nations system differs according to the respective mandates of the organizations, but there are also strong

commonalities and growing efforts at ensuring consistency in approach and implementation. Increasingly, ICT components are incorporated in supporting national capacity-building at the country level, and specific ICT projects are being implemented at the national and regional levels.[3]

22. The Department of Economic and Social Affairs of the United Nations Secretariat serves an important role in linking global policies and national action to encourage and support the use and application of ICT. The Department's own use of ICT in all aspects of its work ensures that global policy-making processes have at their disposal timely and accurate research and analysis, and facilitates at the same time the implementation of and follow-up to global conference agreements, and related monitoring and evaluation processes. ICT is also crucial to the Department's outreach to programme constituencies. Many developing countries, for example, were introduced to computing through their association with United Nations statistics and data-collection work. The United Nations Statistics Division of the Department of Economic and Social Affairs has distributed data electronically since 1988, and the recently developed United Nations Economic and Social Information System (UNESIS) Common Database brings together in a single format on one site principal statistics compiled throughout the United Nations system. At present, the Department of Economic and Social Affairs manages 27 web sites, 2 of which are accessible in all six official United Nations languages, to support major programmes, conferences and meetings for which the Department is responsible. Among them, WomenWatch (launched in 1996 by the Department of Economic and Social Affairs/Division for the Advancement of Women, the United Nations Development Fund for Women (UNIFEM) and the International Research and Training Institute for the Advancement of Women (INSTRAW)) has received worldwide recognition, and the Population Information Network (POPIN) (launched in 1979 by the Department of Economic and Social Affairs/Population Division) has received several international awards for excellence. The Economic and Social Council web site contains links to major recent activities and initiatives of the United Nations in the area of ICT for development. Capacity-building in ICT has become a major and dynamic component of the Department of Economic and Social Affairs technical cooperation programme, including through financing under the Development Account.

23. ICT, and their application and use in areas as diverse as drug control and crime prevention, shipping and aviation, trade, health, education, the environment, intellectual property rights, and work provide a set of new challenges beyond the actual transfer and availability of the technology. It is thus critical that the whole cycle, from legal considerations, the provision of technical assistance during implementation, and initial training to ongoing maintenance and support, be regarded as a whole by the entities of the United Nations system in their work with Governments to strengthen ICT capacity.

24. Coordinated action involving Governments, the private sector and the social partners will be required at the firm, industry and national levels if countries are to avail themselves of the opportunities that new technologies offer to stimulate growth, create jobs and improve quality of life. As the private sector is the main engine for information technology development and Internet connectivity, it is essential that the United Nations system, together with Governments and bilateral donors, work with the private sector in the development of ICT capacity in developing countries and countries with economies in transition. A number of activities embodying this approach is already being implemented.

25. The Valletta Action Plan of ITU represents an example of a framework in which ITU works with its member States, industry partners and other international organizations in key areas to foster an enabling environment conducive to harnessing fully ICT for development. The Action Plan, which was adopted by the ITU World Telecommunication Development Conference in 1998, represents a strategic approach to bridging the digital divide by addressing key elements such as sector reform, access to new technologies, gender issues, rural development and universal service/access, finance and economics, partnerships with the private sector and human resource development, and includes a special programme targeting the needs of least developed countries. ITU's mandate includes the promotion of international cooperation and partnerships between its government members and the growing number of private sector members that have joined ITU, especially telecommunications operators and a growing number of Internet start-up companies.

26. The Global Telecoms Initiative (GTI), created in February 2000 between UNEP, ITU and private organizations and businesses in the telecommunications industry, is part of an effort to develop voluntary initiatives and partnerships with the private sector in order to engage key players in the sustainable development movement, and to ensure a constructive debate about the relationship between environment, trade and development. Initiatives such as GTI encourage joint projects among developed and developing countries with the goals of ensuring the availability of public services, promoting the expansion of communications infrastructure, and expanding the use of ICT to support sustainable development. As the rapid advancement in ICTs is resulting in an increasingly networked global economy and in a fundamental transformation of the world of work, ILO's role is becoming crucial in terms of strengthening social dialogue and labour-market institutions to facilitate the adoption and diffusion of ICT as part of the development process.

27. In order to ensure that the new information society becomes an inclusive knowledge society, and in the follow-up to the World Education Forum, UNESCO is making ICT access to all central to its efforts. The Information for All programme provides a platform for international collaboration and partnerships on information access and on the ethical, legal and social impact of ICT. UNESCO advises its Member States on ICT applications in all levels of education, and promotes the use of ICT in informal education and in lifelong learning. In particular, UNESCO proposes to initiate, in collaboration with interested partners at the national and international levels, the linking of all relevant sources of educational experience and courseware into a world education portal so as to make educational material widely available in the public domain. This portal would be a reference web site recognized worldwide.

28. The World Bank has developed a series of programmes that address various aspects and needs of the knowledge economy and ICT for development. Among these programmes are *Info*Dev, a venture fund for ideas that bring together public and private donors to promote innovative applications of ICT for development; Global Distance Learning Network which aims to improve development potential by using distance learning to connect development decision makers to a global knowledge exchange; Global Development Gateway, an Internet portal to information, knowledge and dialogue about sustainable development and poverty reduction; African Virtual University; and a number of other important endeavours that seek to stimulate the development of ICT for development. These efforts are guided by the recognition that, while ICT is the means through which knowledge is shared and learning takes place, the spread of ICT is not expected to be sufficient to address many of the present development challenges without the simultaneous development of "learning communities", improvements in education, and other elements of societies.

29. UNDP has adopted a comprehensive strategy to guide its support and assistance to developing countries in seizing digital opportunities. In focusing on such key elements as promotion of awareness, advocacy and policy formulation; connectivity; institutional and human capacities; and content and cultural diversity, UNDP currently operates global, regional and numerous country-level programmes. Examples of its global programmes include the IT for Development Programme, the Sustainable Development Networking Programme (SNDP), and the Small Islands Developing States Information Network (SIDSNET). Among UNDP's regional programmes, the Asia-Pacific Development Information Programme (APDIP) has established connectivity for several countries and has focused on training of government and civil society representatives in the use and application of ICT for social and economic development, and the Internet Initiative for Africa has assisted 15 sub-Saharan African countries in developing or enhancing Internet connectivity and building capacities required for their operation.

30. The deployment of multi-purpose community telecentres, including community radios linked with Internet, is being pursued by ITU in collaboration with UNESCO and other international partners in an effort to broaden access to these technologies beyond urban areas to include isolated and remote areas, as well as the poorest strata of the population. UNDP has conducted needs-driven pilot projects involving the creation of multimedia community telecentres or multimedia access points with Internet links. The ITU Electronic Commerce for Developing Countries (EC-DC) initiative is an example of how partnership between an international organization and industry partners can be implemented for the benefit of the

world's poorest economies. Under this initiative, e-commerce projects are being launched in nearly 80 developing or least developed countries, and technical and financial assistance is being provided to an association of African women entrepreneurs. UNCTAD has also devoted considerable attention to electronic commerce over the last few years in an effort to ensure that developing countries and countries with economies in transition use information technologies to avoid further marginalization. Since successful e-commerce strategies require a combination of access, content, knowledge, legal environment and trust, UNCTAD has used the concept of "e-velopment" in its recent work on e-commerce, reflecting the need to maintain and use dynamic linkages and synergies between the so-called new economy of bits, information and knowledge, and the traditional economy of atoms, bricks and mortar, roads and bridges.

31. ICT in general are increasingly shaping the safety, speed and reliability of the movement of goods and persons by ship and air. Not only do modern ICT and equipment allow for standardization and harmonization of civil aviation and maritime and port operations worldwide, but ICT also contributes to the speed and efficiency of search and rescue operations. Such specialized use and application by developing countries are being facilitated by United Nations entities such as ICAO and IMO. The magnitude of required investments has encouraged successful international cooperation in the air navigation field.

32. Surveillance networks to map health hazards and diseases, using telematic health surveillance systems, offer cost-effective opportunities to invest in a public good that can benefit humanity. Member States are being encouraged by WHO to use health telematics as a means to address their information needs and health-care requirements, and pilot projects are being implemented to provide a sound foundation for the further development and expansion of health telematics applications in developing countries.

33. ICT also facilitate better information exchange and mutual learning, for example, through the collection and analysis of data in a global network of urban observatories, established by the United Nations Centre for Human Settlements (Habitat), that serves worldwide information and capacity-building to help implement the Habitat Agenda[4] and Agenda 21[5] at the national and local levels. FAO endeavours to adapt information content to make it directly relevant to its clients, and to ensure that this information is accessible to those who can make the best use of it, through the use of ICT. Its World Agricultural Information Centre (WAICENT), and its Global Information and Early Warning System for Food and Agriculture (GIEWS) are examples in this regard. The latter has recently been provided to several national and regional early warning agencies to support their work in detecting problem areas and impending food shortages and issuing timely alerts.

34. The need to ensure expedited access to technical databases, other information, practices and regulations, and uniform and effective compliance with conventions and instruments is also the motivation for United Nations entities to provide developing countries with computer equipment, software and training through technical cooperation programmes, with financial support from donor countries. Transfer of communication technology and training in its use feature prominently in technical cooperation programmes aimed at assisting countries in developing sustainable and effective management and monitoring tools in such important areas as drug control and crime prevention, and are being provided by UNODCCP. Satellite survey methodology offers new opportunities to Governments to add remote sensing components to their national mechanisms for monitoring illicit drug crops, and for increased cooperation to eliminate such cultivation. Illicit crop monitoring is expected to be further facilitated through technical assistance packages that include remote sensing components.

35. ICT is also changing the manner in which training is being conducted. For example, a 70-hour computerized training for drug law enforcement on compact disk read-only memory (CD-ROM), the first of its kind, has been successfully tested in the Asian region, and can be used worldwide, particularly in those countries and regions where large groups of persons need to be trained quickly.

36. Recognizing the strategic importance of information technologies to enhance and further improve the intellectual property system for the benefit of development, WIPO has launched major information technology (IT) projects and initiatives. They include the expected entry into force of two major "Internet treaties" before December 2001 and the adjustment of the international legislative framework to facilitate e-commerce. WIPONET, a global information network project, is expected to link the operations of

intellectual property offices around the world and to provide secure end-to-end transmission of confidential intellectual property data.

37. The regional commissions have stepped up their activities for creating and channelling approaches, policies and programmes to harness ICT for development. The invitation by the Economic and Social Council to convene meetings on information technology for development in the respective regions was an opportunity for the regions to synthesize ongoing work, and stimulated new recommendations for further action, inter alia, with regard to the role of the United Nations system.[6]

38. While challenges and opportunities identified in each region differ according to the particular circumstances, economic realities and prospects, there are also similarities and comparable issues that need to be addressed to take full advantage of the opportunities created by ICT. Enhanced economic growth, the development of new products, and higher productivity are all potential gains from ICT, and businesses, especially small and medium-sized enterprises (SMEs) located in developing countries have increased opportunities of becoming integrated into the global economy. New possibilities for education, health, e-governance and e-commerce are being created in all regions of the world. At the same time, full exploitation of ICT for development requires comprehensive and reliable telecommunications infrastructure everywhere, and legal and regulatory systems require adaptation to manage possible conflict emanating from ICT use, as well as control possible criminal use of new technologies. Education as a critical prerequisite of ICT use, and equitable access by individuals and especially communities have been identified as priority concerns in all regions. Incentives are needed to realize ICT innovation, in particular with regard to local content. While there is growing use of ICT in commerce and the economic sector, their potential needs to be expanded into the provision of better, broad-based social services.

39. The regional commissions are serving as launching pads and facilitators for the development of regional strategies, public policies and incentive structures in the use of ICT. The first African Development Forum '99 was devoted to the challenges to Africa of globalization in the information age, and reinvigorated the work of the African Information Society Initiative (AISI) that had been launched in 1996. The revised AISI agenda now provides a solid platform for United Nations action in the region on ICT and development, targeting the key sectors of education and youth, health and small business development along with the overall policy changes that are needed to underpin the transformation towards increased use of ICT.

40. Economic, social, cultural and linguistic factors permit the design of initiatives that capitalize on regional similarities and complementarities in ICT capacity-building within the Economic and Social Commission for Western Asia (ESCWA) member countries. Such initiatives could ensure higher levels of connectivity and harmony of standards as well as conserve resources. Consideration is being given to launching a broad-based regional initiative designated the "Arab Knowledge Society Initiative" (AKSI). Goals set for such an initiative would include promoting ICT and their applications in the region's economies and fostering their integration within the knowledge-based global economy.

41. The countries of the Latin American and Caribbean region share the aspiration of becoming full-fledged members of the information society by the year 2005 on an efficient, effective and sustainable basis within the framework of the global knowledge-based economy. In the Declaration of Florianopolis,[7] adopted at the Regional Meeting on Information Technology for Information Development, convened by the Government of Brazil in Florianopolis, Brazil, 20 and 21 June 2000, they set out a common vision and a public policy strategy for its achievement. The Declaration also identified a number of areas where the assistance of the United Nations system in national and regional efforts will be essential for its translation into practice.

42. National capabilities to transfer, develop and benefit from the application of ICT differ significantly among the countries of the Economic and Social Commission for Asia and the Pacific (ESCAP) region. Concerted national and complementary efforts through regional cooperation are thus required to promote widespread adoption of ICT in the countries of the region. There is a need to create a favourable policy framework conducive to the adoption and diffusion of ICT development. Technological capability, competent human resources and the creation of ICT infrastructure at national and regional levels are needed. While the vital role of Governments in this endeavour is

emphasized, other stakeholders, as well as regional cooperation, can contribute significantly and complement national efforts in the adoption and diffusion of ICT.

43. From the Economic Commission for Europe (ECE) perspective, specific policy and regulatory actions are called for, at both the national and the regional level to bridge the digital divide, to contain the possible negative effects of ICT, to help the less advanced countries to benefit fully from the ICT revolution, and to ensure that the potential of ICT best serves human development objectives. Lack of ICT equipment; the insufficient level of knowledge and skills needed to operate, use and benefit from ICT; and lack of an appropriate policy and regulatory framework to enhance and support ICT application while preventing negative effects are constraints on achieving ICT objectives in the region's less developed countries and countries in transition.

44. Different forums in the United Nations system, including at the regional level, contribute to the smooth functioning of the global information and telecommunications systems. Given the broad range of these activities, the development of an inventory of the work undertaken by different parts of the United Nations system and of other relevant forums could constitute a useful information reference, especially also with regard to the development of standards and regulatory regimes on different aspects of ICT.

B. Recommendations on promoting further the role of the United Nations system in the area of ICT, including transfer of ICT

45. The discussions and outcome of the Economic and Social Council's 2000 high-level segment emphasized the crucial and unique role to be played by the United Nations in providing an interface between the information technology community and the development community. There was a consensus among all stakeholders that ICT could provide a key instrument for accelerating global development and international cooperation, and that the contribution of the United Nations to development would be greatly reinforced if it proves able to adapt to, and use ICT effectively.

46. As a concrete follow-up to the ministerial declaration on ICT adopted at the high-level segment, the Economic and Social Council decided that an ICT task force and trust fund should be created, under the Secretary-General's leadership, to further digital opportunities in developing countries, help formulate strategies for ICT-for-development programmes, and forge a strategic partnership among the United Nations system, private industry foundations, donors and other relevant stakeholders. In accordance with the mandate given by the Council, the Secretary-General will conduct consultations with all stakeholders and report to the Council at its resumed substantive session of 2000.

47. In the preparations for the Economic and Social Council's 2000 high-level segment, new opportunities for the regional commissions and the entities of the United Nations system, including within the framework of ACC, emerged in the area of ICT. The ministerial declaration adopted by the Council emphasized the key role of the United Nations system in promoting synergies and coherence of all efforts directed towards expanding the development impact of ICT. The United Nations system also has a role in assisting developing countries and countries with economies in transition in securing affordable access to, and effective use and management of, core information resources, technology, systems and infrastructure in a broad range of sectors and applications. To that end, complementary to the steps already identified in the ministerial declaration, the following actions could be initiated or strengthened:

- Provide advisory services to developing countries in the formulation of FDI policies, with particular focus on ICT, and the establishment of sound productive and equitable investment regimes that are fully coordinated with all other national policies;
- Advise developing countries on overall investment codes and other legal and institutional frameworks that provide the guarantees and incentives offered to foreign investors in the ICT sector;
- Advise developing countries in the formulation of policies for the acquisition of ICT, and the creation of a legal, fiscal, and institutional frameworks, including an intellectual property

rights regime, which will facilitate the transfer of technology;

- Assist developing countries in the streamlining and strengthening of the mechanisms and administrative procedures for approving, monitoring, facilitating and promoting investments in the ICT sector;

- Provide advisory services on policies and strategies to develop and implement mechanisms, such as build-operate-transfer (BOT) arrangements, for attracting foreign investments in the ICT sector;

- Strengthen collaboration among organizations of the system, including at the country level, in computerization, networking, information management and software application and content development as well as in supporting country strategies for Internet development and ICT support;

- Establish a system-wide inventory of ICT and related activities that are being undertaken by United Nations entities and other forums;

- Promote capacity-building and innovative use of ICT as a special opportunity to overcome the development barriers of isolated and distant communities;

- Facilitate a swifter diffusion of technological innovations through technical assistance reducing the cost of communication services, promoting the development and consolidation of state-of-the-art national and regional communications infrastructure, upgrading the "capillarity" of information and communications networks, and substantially upgrading key functions such as applicability and interoperability;

- Promote the generation of reliable, standardized and up-to-date statistical information and indicators on the impact of ICT on development, and provide opportunities for sensitization and training in ICT for political and community leaders so as to strengthen the integration of ICT dimensions in national development planning processes; compile a composite index of ICT readiness of each country for the digital era, consisting of various parameters including access facilities, education and training facilities, networking of the society, networking policy, evolution of ownership and management models of network resources, evolution of appropriate business models, and degree of optimization of ICT costs;

- Serve as a forum for discussing regional initiatives to address various aspects of ICT development, and bringing together national Governments, business leaders, the media, representatives of consumer groups and international organizations, and for sharing good policy practices and experiences within the regions and raising public awareness of the opportunities and risks connected with ICT;

- Adopt a long-term approach to regional ICT development by strengthening the ICT dimension in all areas of work, in particular in regional priority areas, that addresses standard-setting requirements, legal frameworks, capacity-building activities, and management and maintenance of information resources and databases;

- Implement regional activities, such as joint projects, seminars, workshops and training of trainers, demonstration projects for policy makers and technicians on ICT;

- In cooperation with other partners, design special programmes for the less developed countries of the region (especially least developed countries, island economies and economies in transition), using bilateral, tripartite and other forms of cooperation as necessary, and focusing on development of technology capabilities and human resources development for the transfer, adaptation and use of ICT;

- Review capabilities of the organizations of the United Nations system in using ICT for development activities relevant to their mandates, and upgrade these capabilities as necessary in order to support national efforts to strengthen local ICT capabilities;

- Implement measures that enable the wealth of knowledge and experience within the United Nations system regarding the use of ICT for social and economic development to be systematized and disseminated in a much more vigorous way. A percentage of the resources for each project might be devoted to learning the

development lessons with respect to disseminating this knowledge;

- Create a digital divide web site: this web site would include all United Nations-related activities to bridge the digital divide and include links to activities of other entities such as non-governmental organizations and the private sector.

III. Promoting policy coherence, complementarity and cooperation*

48. While intergovernmental consensus on the appropriate goals of economic policy is relatively easy to achieve, consensus on the ranking of goals is more difficult to achieve partly because they may be mutually incompatible or inconsistent. Even more difficult is consensus on the policies most suitable to attaining the accepted goals. This is especially true of national economies at widely divergent levels of development, emerging from different historical backgrounds and interests. However, participation in an international trade and financial system and acceptance of its "rules of the game" may impose on the participating nations a common ranking of goals and appropriate policies. This was the case, for example, under the gold standard: countries that participated by declaring a fixed gold content for their standard monetary unit had to be prepared to convert that unit into gold on demand. If gold ran short, it had to be replenished by making exports more competitive and curtailing imports. Since this usually required a reduction in demand and output, falling prices and financial embarrassment, the goals of high levels of output and employment, high growth in per capita income and financial stability had to be sacrificed to the frequently conflicting goals required by the gold standard, namely, balanced trade and price stability.

49. Since it was widely believed that the failure to attain the goals of high employment and financial stability had been a major cause of the two World Wars that threatened the peace and political stability of the international system, the question of policy coherence, complementarity and coordination of economic, financial, trade and development issues was an important item of discussion in the formative years of the United Nations. Despite what had appeared to be an initial consensus, the international system that emerged from these discussions failed to provide a means of making divergent policy goals compatible and never succeeded in creating multilateral means for resolving the problems of the compatibility between the goals of developing countries and those of their more advanced partners. The re-emergence in the 1960s of the initial contradictions in goals and policies between the United States of America and Europe eventually led to the breakdown of the Bretton Woods system, and the failure to provide means of dealing with the frequently conflicting trade and financial interests of developed and developing countries eventually led to an extensive debt crisis in Latin America and "the lost decade" in which development came to a halt in many countries on the continent. While the institution of floating exchange rates was meant to allow countries to pursue diverse policy goals without prejudicing the decisions of others or producing systemic difficulties, this hope has not been confirmed as differences over policy coordination between the United States and Europe and between developed and developing countries have contributed to increasingly frequent and virulent financial crises. Some of the reasons for the failure to produce policy coherence, complementarity and coordination on economic, financial, trade and development issues in the framework of a stable international trade and financial system can thus be found in the initial post-war period of institution-building.

50. The major goal of the allied powers in the design of an international trade and financial system that would ensure peace and political stability was the elimination of discriminatory trade and business practices and unemployment. It was generally believed that these goals were mutually compatible since the full benefits of a liberal multilateral international trading regime could be achieved only if countries reached their productive potential by fully exploiting their available resources in conditions of a socially acceptable distribution of income. It was believed that multilateral trade arrangements would reduce the potential for political strife and that the free flow of goods, services and capital between countries would stimulate international competition and encourage specialization, leading to a more efficient allocation of world resources, higher productivity and thus higher income levels for all countries.

* Contributed by UNCTAD.

51. As a result, the Charter of the United Nations (Chapter IX, Article 55) called for "higher standards of living, full employment, and conditions of economic and social progress and development" as well as made arrangements for the specialized agencies to pursue these goals. In particular, discussion of this issue took place through two United Nations conferences. The United Nations Monetary and Financial Conference held in Bretton Woods produced not one, but two specialized agencies to deal with monetary and financial matters, the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD). The inherent interdependence of trade and employment is reflected in the purposes of IMF "to facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy" (article I:ii) and of IBRD "to promote the long-range balanced growth of international trade and the maintenance of equilibrium in balances of payments by encouraging international investment for the development of the productive resources of members, thereby assisting in raising productivity, the standard of living and conditions of labour in their territories" (article I:iii).

52. In particular, IMF was called upon to reconstitute the system of free multilateral payments for trade in goods and services (article I:iv) and to promote exchange-rate stability (article I:iii). Since it was going be difficult for the war-torn European countries and less developed countries to participate on an equal basis in the new multilateral international trading and financial system, IBRD was called upon "to assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including the restoration of economies destroyed or disrupted by war, the reconversion of productive facilities to peacetime needs and the encouragement of the development of productive facilities and resources in less developed countries" (article I:i).

53. The second United Nations Conference on Trade and Employment held in Havana was to deal with the restoration of non-discriminatory multilateral trade through the creation of a third specialized agency, the International Trade Organization (ITO). Originally proposed by the United States in conjunction with the United Kingdom of Great Britain and Northern Ireland, ITO was to ensure policy coherence, complementarity and coordination on economic, financial, trade and development issues. As a result, the Havana Charter contained separate chapters dealing with "Employment and economic activity" as a prerequisite of the equitable distribution of the benefits of freer trade, "Economic development and reconstruction" to ensure that developing countries could fully participate in these benefits, "Commercial policy" and "Restrictive business practices" to ensure that trade was not distorted by local peculiarities, and "Intergovernmental commodity agreements" to provide means to stabilize demand by stabilizing commodity prices and providing more certain export earnings for developing countries seeking to industrialize.

54. The open multilateral trading regime that was proposed by the United States Government as the framework for post-war reconstruction did not contemplate the elimination of all barriers to trade, but rather the elimination of discriminatory bilateral agreements through the application of unconditional most-favoured treatment that would automatically extend trade bilateral concessions to all trading partners irrespective of whether they were reciprocated. The proposal thus required a rule-based apparatus to ensure the general application of agreements to reduce trade restrictions through intergovernmental negotiations. This rule-based apparatus was included in the Havana Charter for ITO under the title of "General agreements on tariffs and trade".[8]

55. While it was generally accepted that competition under free trade does have a positive impact in encouraging efficient, and discouraging inefficient, processes of production, and that the free flow of capital goods between countries results in the expansion of productive capacity of the importing countries and a more efficient allocation of the world's investment resources thereby raising the level of productivity, the argument was not extended to the free flow of financial capital used for the acquisition of existing property, securities and other financial instruments since such flows have no direct influence on the distribution of real investment resources and merely effect the transfer of ownership of the existing wealth and productive resources in the recipient country to the exporters of financial capital.

56. While the efficient allocation of resources under conditions of free international competition may be a necessary condition for maximizing production, it does not always produce the most efficient allocation of resources from the point of view of social welfare. Efficient allocation in a free market means that the pattern of investment and production is such as to satisfy consumer demand; but this is in turn determined by the power and preferences of consumers so that those with higher incomes or wealth will exert a considerably greater influence on the pattern of production than the poor. The free operation of market forces may thus favour the efficient production or import of luxury goods over that of social goods for low-income groups, and allow expensive shops to flourish in preference to schools, hospitals, public parks and so forth. For this reason the distribution of income was an integral part of the post-war discussion of the distribution of the full benefits of freer trade.

57. Furthermore, maximizing total output is a question not simply of achieving efficient resource allocation, that is to say, of maximizing the productivity of factors of production employed, but also of determining the levels of utilization of the factors available. The full benefits of the increased international competition and the allocative efficiency associated with freer trade on total output thus also require full utilization of factors. Since it is quite possible that increased competition may actually reduce the level of employment of labour and equipment and thereby reduce total output despite increases in productivity of factors that remain in employment, policies to ensure full employment must also be an integral part of a free multilateral trading system.

58. The proposed trade organization thus made provision for global surveillance of national economic policies by the United Nations Secretariat to ensure that generalized reductions in restrictions to trade based on unconditional most-favoured-nation principles were compatible with policies to produce full employment. In particular, the discussions on the ITO Charter noted that a country that maintained full employment at home, developing its economic resources and raising its standard of productivity and maintaining fair labour standards, might exercise deflationary pressure upon other countries if it persistently exported more than it bought from and invested abroad. Indeed, an export surplus may be a means of maintaining domestic full employment at the expense of employment in other countries. By the same token, not only may inappropriate domestic policies cause an unfavourable payments balance, but also the failure of surplus countries to spend their external purchasing power on imports or to utilize their surplus resources for productive investment abroad. Thus policy surveillance and coordination were necessary to ensure that when there was a fundamental disequilibrium involving a surplus in one country's balance of payments and persistent balance-of-payments deficits in other countries that compromised their ability to maintain employment, the surplus country should be compelled to contribute to the policy actions designed to correct the maladjustment. The particular measures that should be adopted (the stimulation of imports or the removal of special encouragements to exports, an appreciation of the country's exchange rate, an upward revision of its internal price and cost structure, an increase in foreign investment and so forth) were to be left to the Government concerned to determine. The provisions of the "general agreements" were to be designed to accommodate such adjustment policies so as to ensure the fullest benefits of free trade.

59. In the absence of policies to ensure full employment and an equitable distribution of income, it was acknowledged that the objective of encouraging the free operation of market forces in international trade could lead to an inappropriate social allocation of resources and to a lower level of production. Thus, for many countries, the disadvantages of the free trade system could be considerably greater than the benefits of efficiency derived from it, this being dependent on their particular economic and political conditions. This was particularly true of developing countries, whose participation in the multilateral trading system was nonetheless recognized as essential to achieving its full potential. It was thus generally accepted that these countries would need special treatment, including special trading advantages and exemptions from the commitments to the general agreements, to allow them to reach levels of industrialization enabling them to participate on an equal basis with the more developed countries. The "general agreements" would thus have to be sufficiently flexible to provide for these exceptions. In particular, these would extend to differences across countries in labour practices, protection of scarce natural resources, and environmental conditions. It was clearly recognized

that objectives would differ on these issues, for example, between developed and developing countries, and that steps would have to be taken to coordinate policies in these areas. Since industrialization by developing countries, inter alia, to diversify their exports implies increased competition and the loss of exports and employment for developed-country producers, active employment policies in the latter are also a necessary counterpart to the full extension of trade.

60. Furthermore, since trade restrictions may be closely connected with restrictions on current-account transactions, policy coordination with IMF was foreseen as an integral part of ITO.

61. The approach taken in the early United Nations discussions recognized that trade liberalization had to be integrated with domestic economic policies as well as with discussion of suitable social policies such as income distribution, defence of the environment, appropriate labour standards and so forth within the context of an economy's level of development. However, only the "general agreements" were adopted and the full Charter for ITO was never ratified by its original proponents, the United States and the United Kingdom. While UNCTAD was eventually created later, not as a specialized agency, but as an extension of the General Assembly so as to provide a negotiating forum for issues directly related to the interests of developing countries, the more general questions relating to policy coherence, complementarity and coordination have not been taken up by the specialized agencies despite responsibilities in this direction entrusted them in their Articles of Agreement and the power given to the United Nations in Article 58 of its Charter to "make recommendations for the coordination of the policies and activities of the specialized agencies". With the advent of globalization, means of dealing directly with policy coherence, complementarity and coordination would seem more necessary than ever.[9]

62. For example, as international capital markets become more integrated and financial deregulation and liberalization facilitate the movement of funds seeking to eliminate market pricing imperfections or to achieve the highest available returns on a global basis, monetary policy in the major developed countries exerts an increasingly strong influence on capital market conditions in the rest of the world because the markets in these countries are larger, more highly developed and more sophisticated. This was already in evidence at a regional level in the 1980s debt crisis when the increase in real interest rates and an appreciating dollar resulting from the need dictated by domestic policy to eliminate inflation in the United States caused widespread defaults in Latin America. In 1994, a rise in United States interest rates once again dictated by domestic concerns produced a global bond-market collapse. It is increasingly the case that such concerns in one major country may lead to actions having global repercussions and affecting the cost of borrowing in other countries that may be facing radically different conditions. Since the increased integration of money and capital markets is taking place in conditions of continued diversity in domestic cyclic and structural conditions and in the consequent policy requirements, the potential for conflict over goals and policies has become greater.

63. This lack of a multilateral framework for policy coordination also produces an asymmetry in treatment of nations at different levels of development or at different stages in the economic cycle which has been present since the initial discussions of tariff reductions under the "general agreements". Since the predominant exports of developing countries, natural resources, were subject to relatively low levels of protection, generalized tariff reductions applied by all countries provided greater relative benefits to developed countries whose exports were more highly protected manufactured goods. Similar asymmetries apply to generalized policies applied to high-technology goods and intellectual property rights owing to their different incidence among countries. Moreover, developed countries continue to protect sectors considered strategic such as agriculture or other socially sensitive areas of economic activity, while developing countries are asked to provide rapid introduction of liberalization of trade in manufactured goods.

64. Asymmetry also applies in the area of finance. In the recent Asian financial crisis, the difficulties arose from the rapid and unpredictable reversal of capital inflows intermediated by domestic financial institutions for on-lending to domestic producers. The resulting increases in the risk in the balance sheets of firms and financial institutions led to widespread financial failure. Many of the ensuing reforms of financial markets and corporate governance have been imposed on the countries in question from outside with disregard for their political processes and arrangements

for achieving consensus. On the other hand, despite increasingly frequent calls for private sector participation in crisis management in the countries that were the source of the capital flows, there has been little action in support of increased surveillance of their financial institutions or other measures to raise their participation in meeting costs for which they bear a share of the responsibility.

65. The Asian crisis thus added a new dimension to asymmetry. In the early post-war period, developing countries were substantial borrowers from multilateral lending agencies and other lenders. For most of this period, negative balance-of-payments positions were usually associated with borrowing to finance consumption or other unproductive expenditure as well as with developments in international markets unfavourably affecting prices in their external trade and their cost of external borrowing, and these internal weaknesses furnished the rationale of the conditionality associated with IMF support and debt restructuring. However, this was not accompanied by surveillance of the policy actions of surplus and other countries whose policies were capable of affecting conditions in international markets and that were the source of developing countries' external borrowing and other categories of capital inflow. In Asia, by contrast, before the crisis, savings rates and growth had been extremely high even in countries with external payments deficits, and the crisis posed a threat to global macroeconomic stability. Yet, in this case, too, the international policy response has focused almost entirely on adjustment in the debtor countries and failed to come to grips with weaknesses in policy regimes in other countries that also contribute to financial crises.

Notes

[1] To be issued in *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 3* (A/55/3/Rev.1), chap. III, para. 17.

[2] Accessed at the following web site: http://www.library.utoronto.ca/g7/summit/2000okinawa/gis.htm.

[3] A detailed description of ICT for development activities of a number of United Nations entities is contained in E/2000/CRP.2.

[4] *Report of the United Nations Conference on Human Settlements (Habitat II), Istanbul, 3-14 June 1996* (United Nations publication, Sales No. E.97.IV.6), chap. I, resolution 1, annex II.

[5] *Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992*, vol. I, *Resolutions Adopted by the Conference* (United Nations publication, Sales No. E.93.I.8 and corrigendum), resolution 1, annex II.

[6] For the reports of the regional commissions to the Economic and Social Council on this topic, see documents E/2000/70 to E/2000/74.

[7] Accessed at http://www.eclac.org/English/topics/florianopolis.htm.

[8] See E/CONF.2/78 (United Nations publication, Sales No. E.48.II.D.4).

[9] Paragraph 1 of the World Trade Organization, Trade Negotiations Committee, Ministerial Declaration on the Contribution of the World Trade Organization to Achieving Greater Coherence in Global Economic Policymaking, December 1993, recognizes that "the globalization of the world economy has led to ever-growing interactions between the economic policies pursued by individual countries, including interactions between the structural, macroeconomic, trade, financial and development aspects of economic policy-making", but paragraph 4 notes that "difficulties the origin of which lie outside the trade field cannot be redressed through measures taken in the field of trade alone". However, the Declaration does not go beyond a general statement of selected problems under the heading of policy coherence and does not call for an institution to fill this void left by the failure to adopt the ITO Charter. Neither does it recognize the increased asymmetry created by the lack of such a body to encourage policy coherence and cooperation (discussed further below).